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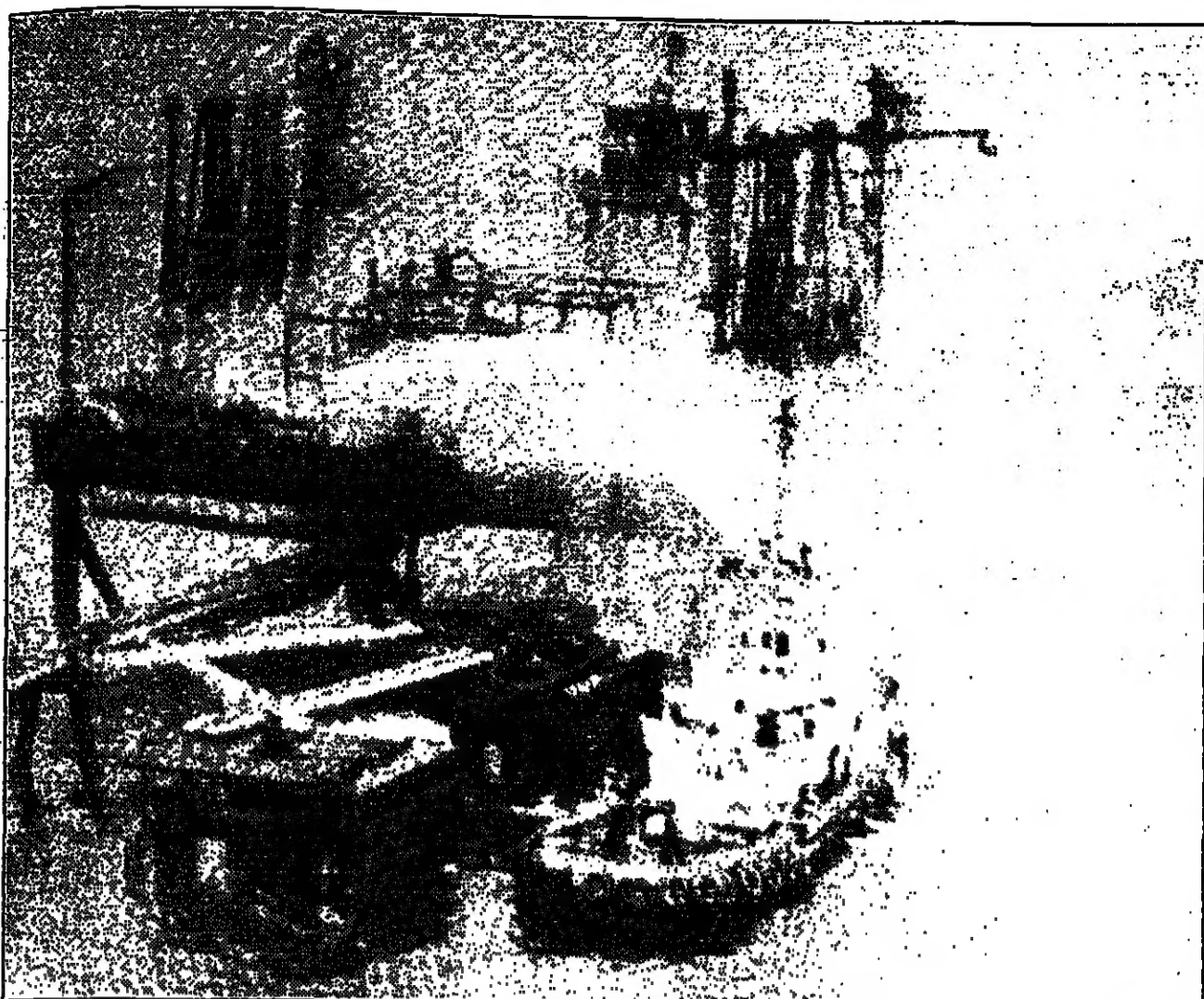
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ESTABLISHED 1887



A Kuwaiti oil-loading platform burning Thursday in the Gulf after being struck by an Iranian Silkworm missile.

Iranian Missile Hits Kuwaiti Oil Terminal

By Patrick E. Tyler
Washington Post Service

SEA ISLAND TERMINAL. Kuwait — An Iranian Silkworm missile hit this offshore oil-loading platform Thursday, setting tanks ablaze, injuring three workers and thrusting the Arab states closer to a confrontation with Iran.

The Kuwaiti defense minister, Sheikh Salem al-Sabah, said the Silkworm had been fired from Iranian-held territory near the former Iraqi port on the Faw Peninsula, and a Defense Ministry spokesman denounced the attack as "another aggression against Kuwait."

Reagan administration officials said that U.S. forces in the Gulf would not retaliate against Iran for the attack, Reuters reported from Washington.

"It is not our policy," said one official. "You know the rule. We protect U.S. shipping and U.S. forces."

It was unclear what structural damage had been done to the terminal. No oil tankers were loading when the missile struck.

The immediate damage to the offshore facility, which normally handles one-third of Kuwait's oil output and can handle up to 80 percent, appeared less serious than the long-term threat Iran has demonstrated with three Silkworm strikes on targets in Kuwait waters in a single week.

Kuwaiti defense forces on Faylakah Island, north of the platform, reported seeing the missile streak overhead, but Sheikh Salem did not say whether they had tried to shoot it down with missiles, as defense forces tried to do last week to the two previous Silkworms.

Western officials said earlier this week that Kuwait was redeploying its American-made Hawk missiles to Faylakah in the hope of marshaling an effective air defense against incoming Silkworms.

The Kuwaiti Foreign Ministry summoned the Iranian chargé d'affaires to lodge a "strong denunciation" of the attack.

The defense minister of Saudi Arabia, Prince Sultan bin Abdul Aziz, telephoned his Kuwaiti counterpart and said that Saudi military forces were prepared to stand by Kuwait's armed forces to face Iranian aggression, the Kuwaiti news agency, KUNA, reported.

By early afternoon the fire on the platform was out, and Kuwait Petroleum officials were inspecting the damage to the terminal, which is nine miles (15 kilometers) offshore from the Mina al-Ahmadi oil complex.

Kuwaiti Coast Guard vessels See GULF, Page 2

Dow Falls Sharply Again; NYSE to Limit Trading

Compiled by Our Staff From Dispatches

NEW YORK — The Dow Jones industrial average of U.S. share prices slid 77.42 points on Thursday, ending a fragile two-day rally. Trading was extremely volatile and was driven by rumors that the index would soon plunge to as low as 1,300.

Meanwhile, the New York Stock Exchange said after the market closed that because of the heavy trading accompanying the recent market turmoil, it will close two hours early on Friday, Monday and Tuesday.

The NYSE also imposed new restrictions on computerized program trading, and extended curbs introduced on Tuesday. "This is merely a chance to allow the system around the world generally to catch its breath," the NYSE's chairman, John J. Phelan Jr., said of the early close.

The American Stock Exchange, the Chicago Board of Trade and many other U.S. financial markets made similar announcements. (Page 9)

The Dow again closed below the psychologically important 2,000 level that it had regained in Wednesday's record-breaking advance. The index of 30 blue-chip U.S. shares finished at 1,950.43, down 3.8 percent for the day.

Prices bounced back and forth on Thursday, and closed above their lows of the day. Share prices around the world generally declined as investors sold into the higher prices generated by Wednesday's advances.

Thursday's plunge was attributed to reports that Robert R. Prechter, a widely followed analyst, had predicted that the Dow would fall further before rebounding. Rising hostilities in the Gulf, where a missile hit a Kuwaiti oil installation, also depressed prices.

Mr. Prechter was reported to have told subscribers to a phone-in service that the Dow would fall to around 1,300 levels not seen since mid-1985.

Mr. Prechter later said in an interview that traders "appear to be inventing rumors, perhaps, in an attempt to influence the market in the direction they wish."

"Even if Prechter hadn't said anything, the market was going to fall anyway," said Larry Wachel, analyst at Prudential-Bache Securities.

Dealers reported only scant reaction to news that major U.S. banks had lowered lending rates to their top customers by one-quarter of a point.

See MARKET, Page 10

Prices Change but the Angst Is Constant

By John Meehan
International Herald Tribune

NEW YORK — It was a common joke on trading desks as the stock market slid into turmoil on Monday that the only thing up on Wall Street was anxiety. Since then, prices have changed dramatically; the level of apprehension has not.

With experts disagreeing about whether to characterize Monday's debacle on the stock market as a crash or a correction, it is not surprising that confusion abounds.

Investors and traders alike are still not sure what to expect from minute to minute, let alone from opening to closing. Adding to their woes is the heavy volume that makes the timely execution of trades more difficult.

Nowadays, the favorite pastime is staring at the computer terminals that are as ubiquitous on Wall Street as yellow ties and suspenders. Almost no one leaves the desk for fear that the market's fortunes have shifted. At noon, restaurants are empty; the bars fill after 4 P.M.

The public, whose buy and sell decisions are crucial to the market's future, is unsure, too. Almost every major financial institution has launched a media campaign designed to soothe investor fears. On Wednesday, Merrill Lynch hurriedly filmed three new commercials with prominent members of the firm expressing confidence in the market. They were to air with Thursday's World Series telecast.

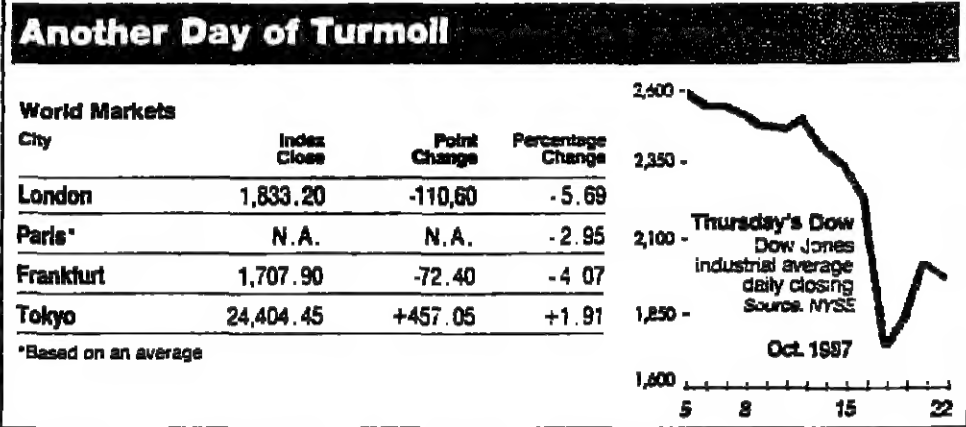
"People are waiting for the other shoe to drop," said Michael Sherman, chief investment strategist at Shearson Lehman Brothers Inc. "They're not sure what Monday meant. The bulls blame it on program trading; the bears say it's time to take your money and run."

The economic fundamentals that experts say caused the collapse have changed. Thanks to more accommodative policies by the Federal Reserve, interest rates are dropping and the bond market is surging, at least for the time being. But the psychological damage in the aftermath of Monday's carnage undoubtedly will take time to heal.

Thursday's trading action was a good illustration. The Dow Jones industrial average opened at 2,027.85 after having rebounded 186.84 points in the previous session, the second record-setting point advance in two days.

Moreover, as many experts saw it Thursday morning, the gains made Wednesday had been more significant than even the Dow could measure. Advancing issues led declines 1,756 to 210 as small stocks as well as blue chips recovered. Expanding the rally beyond the so-called "sleep-well" stocks was considered a major step.

Yet, as the opening bell sounded on the New York Stock Exchange on Thursday, traders confessed to more than a little concern. "A lot of people thought maybe we were just going through a reflex rally after a mind-boggling drop," said Jon See FRAGILE, Page 15



Kiosk Shuttle Flights Set by NASA

WASHINGTON (AP) — NASA said Thursday that it plans 19 space shuttle flights in the next three years and announced a schedule of 49 satellite launches on unmanned rockets, indicating how thoroughly the agency has ceased its total reliance on the shuttle.

The National Aeronautics and Space Administration's first new schedule in a year shows that through 1995 about 30 nonmilitary payloads originally planned to be carried into orbit by the shuttle will now be launched by unmanned rockets.



Nancy Reagan, escorted by the president, returning Thursday to the White House. Page 3.

GENERAL NEWS

- Violent protests against the ruling party's candidate for president escalated in South Korea. Page 2.
- The Soviet Union is modifying its latest aircraft carrier to carry only "jump jets" and helicopters. Page 6.
- The Honduran president urged Washington to put off aid to the contras. Page 3.

SPORTS

- The Cardinals' bats awoke and they beat the Twins, squaring the World Series at two games each. Page 17.

BUSINESS/FINANCE

- The French government will forgive almost \$2 billion in debt owed to it by Renault. Page 9.

Dow close: DOWN 77.42
The dollar in New York:
DM £ Yen FF
131.75 1.647 144.95 6.0635

Brodsky Wins Nobel Literature Prize

By Howell Raines
New York Times Service

STOCKHOLM — Joseph Brodsky, an exiled Soviet-born poet who writes in Russian and English, won the Nobel Prize for Literature on Thursday.

The Swedish Academy, in its formal announcement, cited both Mr. Brodsky's essays and poetry "for an all-embracing authorship, imbued with clarity of thought and poetic intensity."

The academy also paid tribute to Mr. Brodsky's commitment to his art, noting that as a young underground poet in Leningrad he was imprisoned in an Arctic work camp for "parasitism" and forced to leave the Soviet Union in 1972. He now lives in New York.

"I'm sort of doubly proud as a Russian and as an American," Mr. Brodsky said after learning of the award while hunching in London with John Le Carré, the British novelist.

The 47-year-old poet expressed the hope that the award, coupled with the new Soviet policy of "glasnost" or openness, might create an opportunity for him to see his son, Andrei, 20, who lives in Leningrad.

"Obviously the whole situation in the country has considerably improved compared with what I left 15 years ago," he said, "but I got the prize for literature, not politics."

In announcing the selection, Sture Allen, permanent secretary of the Swedish Academy, insisted there was no political message in it for the Soviet Union, where Mr. Brodsky's works have not been published.

In Moscow, Gennadi I. Gerasimov, the Foreign Ministry spokesman, said that "the tastes of the Nobel prize committee are somewhat strange sometimes" and added that he would have preferred V.S. Naipaul, the novelist born in Trinidad, as a winner. But, he added, the prize would "attract attention to Russian poetry of the 20th century, which is a good thing."

The 18-member Swedish Academy was said by a variety of sources to be determined this year to select a laureate who had an international reputation, indisputable artistic standing and productive years still ahead. The academy has been the subject of ridicule for choosing a series of laureates who were elderly or obscure.

Mr. Brodsky is the second-youngest person to win the literature prize. Albert Camus was 44 when

See NOBEL, Page 2



Joseph Brodsky in London on Thursday, after he heard that he had won the 1987 Nobel Prize for Literature.

Stock Rebound Falters Worldwide

The recovery on world stock markets that followed Monday's debacle faltered on Thursday, as investors pulled back after early rallies on the major exchanges.

In Tokyo and Sydney, the largest markets in Asia, buying strength gave out in the afternoon and prices turned lower. Trading in Europe suffered similar reversals, with a London suffering the worst convulsions.

On the London Stock Exchange, price swings were violent and unpredictable. The key Financial Times stock index of 100 major shares finished down by 110.6 points. Heavy selling began when U.S. shares opened lower.

In Paris, share prices fell in late trading in response to a lower Wall Street, wiping out early gains, dealers said.

In Frankfurt, prices ended an active session with big losses. The Commerzbank index plunged 72.40 points, or 4.07 percent, to finish at 1,707.90.

In Tokyo, the Nikkei stock average of 225 issues on the Tokyo Stock Exchange fell back in shaky afternoon trading to finish 457.05 yen higher at 24,404.45 yen. The index had been ahead as much as 1,023 yen in the morning.

In Sydney, Taiwan and Malaysia, nervous selling slashed early gains.

Articles, Page 11



Traders on the Tokyo Stock Exchange jostling Thursday to complete their transactions. The market opened strong but then lost some of its early advances to profit-taking.

Reaganomics: A Turning Point

Market Crash Gives Skeptics Some Tangible Evidence

By Robert Pear
New York Times Service

WASHINGTON — The stock market collapse has given many economists who have been critical of Reagan administration economic policies the prominent, tangible evidence they have sought to make their case more strongly.

President Ronald Reagan could plausibly assert that his market-oriented policies had brought the nation nearly five years of sustained economic growth, created more than 13 million jobs and raised family incomes while slashing inflation. The administration could dismiss skeptics — those who pointed to record budget and trade deficits as evidence of something amiss in the economy — as doom-sayers.

After Monday, that is no longer the case, these economists say.

"The economy under Reagan will never look as good as it did" before the debacle on Monday, said Lester C. Thurow, dean of the Sloan School of Management at the Massachusetts Institute of Technology. He has been a frequent critic of the president's policies.

As a result, Mr. Thurow said, "it will now be easier for people with alternative economic ideas to get a hearing."

Even Mr. Reagan's staunchest supporters concede that this week marked a turning point.

Bruce R. Bartlett, a senior policy analyst at the White House, said Wednesday that the president's economic policies were sound despite the market turmoil.

"It's the end of Reagan's era of leadership," said Mr. Bartlett, formerly executive director of the Joint Economic Committee of Congress. "The markets looked at Washington and they saw gridlock."

NEWS ANALYSIS

Stalemate between the president and Congress on the major issues. They perceived that the president does not have the power to control events.

Even if the market recovers everything it lost Monday, economists said, the basic confidence of investors will still be shaken because there is no assurance that another collapse cannot occur.

Robert Lekachman, a professor of economics at Lehman College of the City University of New York, said the events on Wall Street discredited the policies that he denounced five years ago in his book "Greed Is Not Enough: Reaganomics."

In an interview, Mr. Lekachman said, "As a result of Mr. Reagan's blatant appeal to the greed of his constituency — the most affluent 10 to 20 percent of the population — we got not the promised surge of new investment but a binge of wasteful consumption, profligating in real estate development and stock market manipulation, none of which has improved the situation of the United States in world markets."

Jerry J. Jasnowski, chief economist of the National Association of Manufacturers, said, "There is no question but that the increased U.S. debt levels associated with supply-side economics have contributed to concern about the economy, aggravated the instability of the dollar and put upward pressure on interest rates."

The three-stage reduction in individual income tax rates approved by Congress in 1981 did not generate the promised surge in tax revenues, partly because of the 16-month recession in 1981-82.

Federal debt has soared, to \$1.8 trillion in the last fiscal year from \$794 billion in 1981, as the government has borrowed more and more to cover the gap between spending and receipts. Net interest payments on the federal debt have risen much faster than military spending in the Reagan years.

Paul Craig Roberts, who was assistant treasury secretary in 1981 and early 1982, disputed the notion that the collapse of the stock market represented an adverse judgment on Mr. Reagan's policies.

"What does it have to do with supply-side economics?" he asked. "It was due to disastrous errors by the Federal Reserve and the central bank of West Germany, which raised interest rates when the two

See POLICY, Page 11

Wider Tool Flow to Soviets Alleged

By Joseph Fitchett
International Herald Tribune

PARIS — Norwegian police accused industrial companies in four West European nations and Japan on Thursday of conspiring with Norway's state-owned arms-maker, Kongsberg Vapensfabrikk, to smuggle computer-controlled machine tools to the Soviet Union and China.

The Norwegian police findings, according to Western officials in Paris, revealed in outline one of the widest-ranging cases yet of illegal technology exports that have helped modernize the Soviet defense industry. Norwegian officials said that they had passed their findings to the police in five countries and expected criminal charges against several executives of Kongsberg.

Kongsberg provided 76 sets of banned software and numerical controls to the Soviet Union, the report said. These computer facilities amounted, in an investigator's words, to "the brains" of all the machine tools supplied to Communist customers.

Queried about the allegations, several European companies confirmed selling tools to the Soviet Union, but they refused to comment further. One company denied any wrongdoing, saying that its equipment could have been upgraded by Kongsberg's sophisticated controls.

The main findings of the 31-page report, made available by the Norwegian Embassy in Paris, cited suspicions that machine tool builders in France, West Germany, Italy and Japan have "largely violated"

For London's Poor, Bed-and-Breakfast Hotel Rooms

By Francis X. Clines

New York Times Service

LONDON — "Sitting in that tiny room, listening to my sister raving, I may as well be back in a prison cell," said Patricia Stafford, a former drug addict and robber.

She is trying to get back on her feet in the confines of the oddest imaginable down-and-out shelter: a narrow bed-and-breakfast hotel room with the gleam of Victoriana on the outside and gloom within.

The housing of the poor in seemingly quaint bed-and-breakfast rooms — a tucking away of desperation amid the faded antimacassars of an earlier age — is the fastest growing and most expensive new welfare development in Britain.

In the last 15 months, the practice has skyrocketed, with 8,000 London hotel rooms now taken up by the poor and 10 more rooms a day going on the welfare rolls as B and Bs, as the bed-and-breakfast formula is known.

Gentrification and privatization are shrinking the available housing for the London poor at such an alarming rate that hard-pressed local governments have had to use B and Bs as the shelter of last resort.

With the Conservative government of Prime Minister Margaret Thatcher sharply reducing the capital funds available for localities to build new public housing for the poor and encouraging the open-market sale of existing units, the borough governments are reeling.

They complain they are forced to use local taxes to cover the rising cost of temporary welfare shelter, with the London B-and-B budget growing tenfold in five years, to more than \$160 million.

The poor, in turn, complain that local boroughs are issuing harsh budget-cutting standards that push the needy to move out of traditional neighborhoods.

Rents typically running at



A mother and child in a bed-and-breakfast room, one of many being used by the London authorities to house the poor.

more than \$350 a week for Patricia Stafford and her sister, Anne, in a single room with no bath are a lucrative attraction for landlords who have begun renovating additional B-and-B rooms for the poor.

"I'd go mad myself if I didn't have this place to come to," Miss Stafford said of the Field Lane Center, one of the private charities that have begun special programs for the B-and-B residents.

In the busiest B-and-B welfare ground, Baywater near Paddington Station, one young mother wailed 29 months in a B and B for a permanent welfare apartment of her own said she regularly visited a friend's home so her

baby son "could have the room to learn to crawl properly."

In the borough of Camden, where there are long lists of poor waiting for permanent apartments, the council is fighting bankruptcy as it faces a B-and-B budget that has doubled in a year to £20.5 million (\$34 million).

Long a refuge for immigrants, Camden has reacted by tightening its welfare housing standards, with families finally reaching the top of the apartment waiting list and being shown a single flat on a take-it-or-leave-it basis with no second or third option as in the past.

At the same time, newcomers to Camden's traditional Irish

neighborhoods complain they are receiving notice to head home for Irish welfare.

Homelessness and street squatting are on the rise, according to a project worker, Helen Crane, as the construction of housing for the London poor has fallen from an average of more than 20,000 units a year in the 1970s to little more than 1,000 lately because of the national government has cut local capital borrowing authority by two-thirds.

Such social welfare leaders as Lord Scarman are warning that "Fagin's London" will evolve as small children are idly put up behind the hotel facades near railroad stations.

"Societies breed their own slums," warned Lord Scarman, the president of the International Year of Shelter for the Homeless.

In that role, he is urging Britain to rebuild its dwindling stock of housing for the poor by permitting the diversion of emergency housing funds to capital construction.

Lord Scarman estimates that it costs at least one-third less to build new housing or renovate than it does to shelter people in bed-and-breakfast inns.

"In many ways bed-and-breakfast hotels must be Britain's equivalent of the shantytowns of the Third World," he said.

NATO Leaders May Meet After Summit

By James M. Markham

New York Times Service

PARIS — Amid deepening concern over the prospects of Soviet diplomatic efforts on West European opinion, senior NATO diplomats are exploring the idea of a meeting of alliance leaders after an expected encounter between President Ronald Reagan and Mikhail S. Gorbachev this autumn.

As explained by various U.S. and West European diplomats, a gathering in Brussels of North Atlantic Treaty Organization heads of state and government might avert the kinds of rifts that opened between Washington and its allies after Mr. Reagan and Mr. Gorbachev discussed sweeping arms control proposals in Reykjavik a year ago.

A NATO convocation could also provide Mr. Reagan with a platform to reassure the allies of the U.S. commitment to the defense of Western Europe, while permitting the alliance to lay down its own markers for its future course rather

than simply responding to Mr. Gorbachev's initiatives.

"There has been a certain disorientation in public opinion as to where we're going," said a European diplomat involved in the soundings for an alliance gathering. "The international scene has changed very sharply, and there's a feeling that this is looking to be a good time for alliance leaders to get together and provide clear signals for public opinion."

On the assumption that a Reagan-Gorbachev meeting might take place toward the end of November, crowned by the signing of an accord to eliminate the superpowers' medium-range missiles, NATO diplomats are exploring the possibility of upgrading a scheduled foreign ministers' meeting in Brussels on Dec. 11 and 12 to a gathering of heads of state and government.

"If I had to bet, I think it would happen," said a U.S. envoy, adding that such a meeting could "create reassurance that we're not remarking the world." But he and other

officials in various capitals emphasized that planning for a NATO meeting had been kept purposely low-key so as not to put pressure on U.S. negotiators who are striving to conclude the missile pact.

The discussion for the NATO gathering is taking place against the backdrop of a debate in West European capitals over how to deal with the challenge posed by Mr. Gorbachev's ability to portray the Soviet Union as a champion of peace and disarmament. In some public opinion polls the Soviet leader emerges as more popular than Western politicians.

One feature of this debate has been enthusiasm in West Germany for Mr. Gorbachev's policies of "openness" that contrasts — at the official level — with a considerably more skeptical approach in France and Britain. The most vocal champion of encouraging Mr. Gorbachev's course has been the West German foreign minister, Hans-Dietrich Genscher.

In St. Paul, Minnesota, earlier this month, Mr. Genscher argued that developments in the Soviet Union might constitute a "turning point" in East-West relations and that West German leaders "will not allow ourselves to be shocked by outdated thinking and deep-seated antipathies."

During a six-day visit to West Germany this month, Anatoli F. Dobrynin, a senior adviser to Mr. Gorbachev, argued that there was a "historic possibility" to turn what

he called "a new page in West German-Soviet relations." He urged West Germans to abandon their "old prejudices" about his nation.

The Soviet foreign minister, Eduard A. Shevardnadze, is expected to visit Bonn next month, while Chancellor Helmut Kohl said last week that he expected to meet with Mr. Gorbachev "in the not too distant future."

In Paris and London — capitals that Mr. Gorbachev has already visited — the intensified Soviet attention being given to West Germany has aroused a certain amount of concern. At a high-level gathering of military experts in Paris last week, Dr. David Owen, the former British foreign secretary, predicted that Mr. Gorbachev might eventually make a spectacular gesture by ordering the destruction of the Berlin Wall.

At NATO headquarters in Brussels, officials are working to come up with responses to a blitz of Soviet proposals, including one for comparing the Warsaw Pact's military doctrine with that of the Atlantic alliance. Moscow has also proposed creating a demilitarized zone in the Baltic region — an evident attempt to deter the United States from assigning nuclear submarines to the NATO command.

There has been a temporary public relations disadvantage. "We haven't learned to react fast enough. It is inherent in our system of a very slow and democratic opinion-building."

TOOLS: European Ring Alleged

(Continued from Page 1)

Kongsberg's illegal exports, the report said, included three machines from Ratier-Forrest in 1978: 32 milling machines from a West German firm, Schies A.K. of Düsseldorf; five machines from another West German firm, O. Dörries in Dürren; an undisclosed number, apparently turbines, from a third West German firm, Donawerk in Passau, near the Austrian border; 23 machines from a Rome-based firm, INNSE Innocenti Santeusacchio, a subsidiary of Finsider and part of IRI, Italy's giant state-owned holding company; and two machines, which apparently went to China, from KMT in Britain.

Most companies could not be reached for comment. But a Schies executive, Mandred Hanning, while confirming that his company had sold multi-axis milling machines to the Soviet Union, said that the sales had West German government approval and that his company believed that the Kongsberg control systems had also been approved for export.

U.S. Moves on China Sales
The United States moved Thursday to limit the sale of some high-technology items to China because of its sale of Silkorm missiles to Iran, Agence France-Presse reported from Washington. The United States has urged Beijing for several months to not sell the missiles to Iran.

The official said there was no response yet from rebels to repeated appeals by Indian forces on Wednesday to surrender their weapons.

A Sri Lankan journalist just back from Jaffna quoted the deputy leader of the Tigers as saying that about 500 fighters had volunteered to form suicide squads against Indian troops to allow main Tamil units to escape from the besieged city.

The Sri Lankan Parliament voted Thursday to extend for another month a state of emergency imposed in May 1983 when widespread violence between the majority Sinhalese and minority Tamils swept the island.

An opposition member, Anil Moonesinghe, asserted that dozens of civilians had been killed by Indian soldiers in the fighting. The Indians have denied that large numbers of civilians have been killed and have said that special precautions were being taken to minimize civilian casualties even though this was slowing the soldiers' advance.

India Drops Food Aid
The state-owned All India Radio said Indian Air Force planes dropped 2,000 food packets over the Jaffna Peninsula on Thursday for Tamils displaced by the fighting, Agence France-Presse reported from New Delhi.

Indians Hold One-Third of Jaffna City

Reuters

COLOMBO, Sri Lanka — Indian troops occupy only about one-third of Jaffna after 13 days of heavy fighting to wrest control of the northern Sri Lankan city from Tamil rebels, an Indian official said Thursday.

The official, with the Indian High Commission, also said that the Indian Navy had landed commandos at a rebel stronghold on the western coast of the city, but gave no details.

The official displayed a map at a news briefing indicating that about a third of the city had been seized from rebels of the Liberation Tigers of Tamil Eelam, the main guerrilla group.

Indian troops have been advancing on Jaffna to disarm the Tigers and force compliance with an Indian-Sri Lankan accord designed to end the Tamil separatist revolt.

Earlier this week, an Indian official said the troops had seized control of the city center and were "mopping up" rebel resistance. But a Sri Lankan journalist who had visited the city said Wednesday that the Tigers were still largely in control there.

About 20,000 Indian troops have been sent to Sri Lanka to enforce the pact signed in July. It provided for the surrender of arms by Tamil guerrilla groups.

The official said that after 13 days of fighting the Indians controlled important buildings, including the railroad station and the Jaffna Hospital.

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New Protests Force Roh To Cancel A Speech

By Peter Maass

Washington Post Service

SEOUL — Hundreds of stone-throwing demonstrators clashed Thursday with riot policemen at two provincial campaign rallies in an escalation of protests against Roh Tae Woo, the South Korean ruling party's presidential candidate. Mr. Roh was forced to cancel one speech and delay another.

The incidents have created fears in the Democratic Justice Party that more protests against Mr. Roh will break out as the December election nears.

The party secretary-general, Chung Suk Mo, was quoted in local newspapers as saying the protests could turn more radical. "That is what we had feared most about a direct presidential election," he said. "Such acts will occur more frequently."

Reacting to the demonstrations, the police said they would crack down to prevent further anti-Roh protests. Reports said the police planned to set up special units that will pursue people directly and indirectly responsible for campaign protests.

Already, 15 persons have reportedly been arrested and eight others are being sought by the police for the anti-Roh protests in Kwangju on Wednesday.

During the Kwangju protests, Mr. Roh was prevented from giving an impromptu speech after a tear-gas grenade exploded near him. Choking, Mr. Roh was escorted away by security guards. In other incidents, he was pelted with eggs and several protesters are said to have called out for his execution.

A former general and close ally of President Chun Doo Hwan, Mr. Roh is making a campaign tour of the Cholla region, a center of anti-government sentiment. In 1980, at least 200 people were killed when government troops crushed an uprising in Kwangju, the Cholla capital.

The incidents Thursday occurred in Iri and Jeonju, two adjacent towns in the Cholla region. In Iri, several hundred students reportedly clashed with the police in front of the railroad station shortly before Mr. Roh was to deliver a speech there. As the students threw stones and shouted anti-Roh slogans, the police fired several volleys of tear gas. The rally and speech by Mr. Roh were delayed for about 30 minutes.

In Jeonju, at least 100 protesters demonstrated outside a gymnasium where Mr. Roh was to inaugurate a new campaign organization. Mr. Roh was forced to enter the gymnasium through a back door, and he canceled a speech that he was to deliver outside.

Meanwhile, in a separate development, the rift between the two opposition leaders, Kim Dae Jung and Kim Young Sam, appeared to widen after the two men held an inconclusive negotiating session.

In their first meeting in several weeks, the two men again failed to decide which one would run as the opposition candidate. Kim Young Sam called for a showdown vote at a convention of the opposition Reunification Democratic Party, but Kim Dae Jung described the proposal as inappropriate.

Many political analysts say it is increasingly likely that the Reunification Democratic Party will break up over the candidate issue.

WORLD BRIEFS

Progress Reported in Arms Talks

MOSCOW (Reuters) — Secretary of State George P. Shultz and the Soviet foreign minister, Eduard A. Shevardnadze, made progress on arms control and other issues at talks in Moscow on Thursday, spokesmen for both sides said.

The State Department spokesman, Charles E. Redman, and the Soviet Foreign Ministry spokesman, Gennadi I. Gerasimov, said the ministers held two rounds of constructive discussions in the morning and afternoon, and headed into a third meeting in the evening.

Mr. Redman said that Mr. Shultz and Mr. Shevardnadze were making progress toward completing a treaty to ban medium- and shorter-range nuclear missiles but that problems remained over verification and a timetable for dismantling the weapons.



George P. Shultz and Eduard A. Shevardnadze joking together Thursday before starting talks on nuclear arms.

Hindus Seal Off Area in New Delhi

NEW DELHI (Combined Dispatches) — Hundreds of Hindus sealed off a posh district here Thursday, closing shops and dismantling makeshift temples, to protest the killing of 11 people in an attack Tuesday by Sikh guerrillas, the police said.

Concrete poles were dropped across access points to the Bengali-Hindu-dominated Chitraranjan Park area, which was declared out of bounds to policemen, city buses and outsiders. Witnesses said the Hindus hurled bricks at policemen, chased away visiting politicians and ordered local residents to boycott Diwali, the annual Hindu festival of lights.

Meanwhile, in Amritsar, a rally planned by militant Sikhs at the Golden Temple failed to materialize as about 200 paramilitary government policemen surrounded the Sikh shrine while other policemen enforced a curfew in virtually deserted streets. The Sikhs had vowed to hold the rally despite official opposition and the arrests of about 250 militants since Monday.

(AP, A)

Rebel Victory in Angola Is Reported

JOHANNESBURG (Reuters) — Anti-Communist rebels in southern Angola, backed by the United States and South Africa, have defeated a major offensive by Soviet-directed Angolan government troops, diplomatic sources said here Thursday.

Earlier, Radio South Africa quoted the guerrilla leader, Jonas Savimbi, as saying that the Marxist government's forces were retreating after fighting near the Lomba River. A long-range bombardment by South African artillery played a crucial role in turning back the offensive, one of the biggest since the civil war began in 1975, the sources said.

Mr. Savimbi, head of the National Union for the Total Independence of Angola, told South African radio that the drive on his front-line stronghold of Mavinga had been "practically stemmed." According to the diplomatic sources, the offensive started slowly but was better equipped and better organized than in previous years.

(AP, A)

Protest by 2 Million Planned in Dhaka

DHAKA, Bangladesh (AP) — The three major opposition alliances in Bangladesh have combined forces for a confrontation next month to force the government to resign, a senior leader of one of the alliances said Thursday.

Mohammed Arefin said the alliances hope to assemble more than two million people outside Dhaka to try to immobilize the government on Nov. 10. The plan was announced two days after a 48-hour general strike. The opposition launched a movement July 12 against the government of President Hussain Mohammed Ershad after the parliament's passage of a controversial bill giving representation to the army in the running of the district administrations. General Ershad has threatened to take constitutional measures to stop the demonstrations.

(AP)

TRAVEL UPDATE

Fog Shuts Moscow Airports a 5th Day

MOSCOW (Reuters) — The worst fog here in more than a century kept the Soviet capital's airports closed for a fifth consecutive day on Thursday, with chaos growing as thousands of hungry, sleepy travelers packed air terminals.

"By our count, about 35,000 passengers have crowded into the capital's airports," said Lev Uchuk of the Civil Aviation Ministry. "Half of them are there permanently — they are transit passengers who cannot go home at night."

Weathermen said the fog set an all-time record on Wednesday for the month of October in Moscow. One newspaper said city transport officials had failed to cope with the situation, allowing passengers to board buses bound for air terminals without telling them the airports were closed.

Torrential rains eased over Northern Ireland on Thursday after a 24-hour downpour that flooded buildings, blocked roads and left thousands of acres of farmland under water. Flooding hit the western part of the province hardest.

(AP)

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Paraguay Rally Turns Violent

The Associated Press

ASUNCION, Paraguay — A union spokesman said 25 persons were injured Wednesday when police used tear gas to break up an anti-government rally by banking and construction workers. The police declined comment.

SHERIDAN MORLEY

INTERVIEWER/REPORTER/EDITOR
OF THE LONDON HERALD

Reagan Wants Quick Meeting With Congress on Deficit Cuts

Compiled by Our Staff From Dispatches
WASHINGTON — President Reagan said Thursday that he wanted to meet promptly with Democratic and Republican congressional leaders to talk about deficit reduction steps, hoping to keep spending and taxes "as low as possible."

Earlier Thursday, the Democratic leaders in Congress said that they would push forward with deficit-reducing legislation that might include financial markets, citing doubts about Mr. Reagan's willingness to compromise.

Mr. Reagan issued his statement on House Speaker Jim Wright, Democrat of Texas, said that Democrats wanted a meeting to get the president's assurance that planned deficit reduction talks would not be a "charade."

"All we seek will be his assurance that nothing will be out of bounds," including taxes, Mr. Wright said.

The Senate Republican leader, Sen. Dole of Kansas, said the first meeting could take place as early as today.

The Democrats, who control both houses of Congress, called for an "economic summit meeting" in the Republican president, the pressing ahead on budget and legislation.

The White House has sent mixed signals about whether the president is willing to reverse his longstanding opposition to tax increases as part of any compromise on finding ways to lower the budget deficit.

The White House hinted Wednesday that Mr. Reagan might consider a tax increase and "listen" to Democratic proposals, but the president also said: "I'll listen to them if they'll listen to me about the fact that raising taxes has always resulted in a lowering of revenues."

Mr. Reagan said Tuesday, a day after the dramatic plunge in stock prices, that he wanted discussions "undertaken with the bipartisan leadership of the Congress." Analysts blamed the plunge in part on investor concern over the budget deficit.

During Mr. Reagan's presidency, the annual deficits have more than doubled the national debt, pushing it past \$2.3 trillion.

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President of Honduras Urges U.S. to Set Aside Contra Aid Till January

By Neil A. Lewis
New York Times Service
WASHINGTON — President José Azcona Hoyo of Honduras has urged that U.S. military aid to the Nicaraguan rebels be suspended at least until January.

Mr. Azcona, the closest supporter of United States policy in Central America, suggested Wednesday that money be put aside until it is clear whether the Nicaraguan government is complying with the Central American peace accord.

Like President José Napoleón Duarte of El Salvador, who visited Washington last week, Mr. Azcona apparently felt obliged to take that position in the face of U.S. support for the rebels, because he signed the peace accord. The accord requires a suspension of aid to the rebels, known as contras.

Mr. Azcona strongly suggested that he expected the Nicaraguan government would fail to comply with the regional peace accord. He said the United States should be prepared in that event to return the contras.

"Right now the aid to the contras should be suspended, and it has been suspended," he said. "But what definitely should not be done is to make a decision that would close down the possibility of aid to the contras in the future. That would torpedo the peace process."

Mr. Azcona said that if military aid to the contras was suspended, the Sandinist government in Managua would not be able to use continued U.S. support of the rebels as an excuse not to comply with the accord.

Any money intended for the contras, Mr. Azcona said, could be placed in escrow until Jan. 7, when the Central American presidents are to meet to judge whether their countries — Nicaragua, Costa Rica, Honduras, Guatemala and El Salvador — are complying with the accord they signed in August.

He said that perhaps a congressional vote on a White House request for aid could be delayed until after Jan. 7.

President Ronald Reagan has said he intends to ask Congress sometime before Nov. 26 to provide \$270 million in aid for the contras that could be used for any purpose, including military needs.

But Mr. Azcona, like Mr. Duarte, noted that the treaty requires an end to outside help to insurgent groups and thus binds the parties to take a position counter to that of the Reagan administration.

■ Other Developments
● The Inter-American Dialogue, an unofficial but influential group of prominent people from the United States and Latin America, called on the United States on Wednesday to negotiate directly with Nicaragua to resolve U.S. security concerns in the region, The Washington Post reported.

It also urged Nicaragua to negotiate with the contras on a cease-fire agreement.

The group's appeal was announced by its co-chairman, Sol M. Linowitz, former U.S. ambassador to the Organization of American States and negotiator of the Panama Canal treaties, and Daniel Oudner, the former Costa Rican president.

■ The contras issued a statement Wednesday saying they had released 20 Nicaraguan prisoners captured by a contra brigade on Oct. 8, according to The Post. The contras said an American peace activist, Paul A. Fisher, who also had been abducted recently, would be released "as soon as conditions conducive to his safe return" were met.

■ Salvadoran rebel leaders and government negotiators, meeting in Caracas, agreed to hold a second day of talks Thursday in their effort to reach a cease-fire agreement, a Salvadoran government spokesman said.



Alejandro Duarte, a son of and an adviser to President José Napoleón Duarte of El Salvador, chatting with reporters after a meeting with Salvadoran rebel leaders in Caracas.

State Dept. Offers Early Retirement

WASHINGTON — The State Department, which plans to eliminate about 1,270 jobs because of budget cutbacks, has been given permission by the Office of Management to offer voluntary early retirement to its civil service employees.

A department spokeswoman, Yvonne Oakley, said Wednesday that as many as 500 persons may be eligible.

Department officials anticipate a shortfall of about \$84 million in the operating budget for the 1987 fiscal year, are preparing far-reaching cuts, from consolidating offices within the department to closing small embassies and 13 consulates.

However, the core of the reorganization program will involve cutting up to 1,300 Foreign Service and civil service jobs, most of them in Washington, through early retirements and, if necessary, a furlough in force that would mean voluntary layoffs.

Department officials are expected to ask Congress to amend the law governing the Foreign Service permit both early retirement incentives and a reduction in force, using law allows the department to apply such measures to civil service employees if the Office of Management concurs.

Mrs. Oakley said the early-retirement offer will apply to employees any age with 25 years of service. Employees aged 50 and over have 30 years of service. They will be offered retirement benefits normally would be available at 55, minus a permanent 2 percent reduction for each year of age 55. Not eligible for the offer are secretaries, auditors and employees, because the civil service has shortages of such personnel.

With Judge Bork's wife, Mary Ellen, and his son, Robert Jr., watching Wednesday from the visitors' gallery, Senator Joseph R. Biden Jr., chairman of the Judiciary Committee, opened the debate by describing the nominee's views as a threat to "the traditional core of our national character and our constitutional history."

Mr. Biden, a Delaware Democrat, said charges that Judge Bork was the victim of "lynch mobs" were "nothing but a smoke screen to distract the Senate and the American people" from the judge's testimony at committee hearings.

It quickly became evident, however, that Judge Bork's supporters intend to use the debate to discredit the confirmation process, particularly the campaign waged by liberal groups against the nomination.

Senator Orrin G. Hatch, a Republican of Utah who is one of Judge Bork's most outspoken defenders, said the nominee had been victimized by "a dirty tricks political campaign." Holding copies of full-page newspaper advertisements by People for the American Way and the National Abortion Rights Action League, Mr. Hatch said that the two anti-Bork messages contained 151 "falsehoods, slanders and distortions."

With 54 senators publicly committed to vote against confirmation, the Senate majority leader, Robert C. Byrd of West Virginia, called for debate to end before the end of the week. But Mr. Biden's attempts to reach an agreement with Senate Republicans on a deadline for the full Senate vote have so far failed. A handful of Judge Bork's conservative supporters object to a time limit.

On Thursday, Bork supporters accused civil rights and women's groups of engaging in "character assassination" and "the big lie" in seeking to defeat Judge Bork.

"The political propagandists apparently have won the war against Judge Bork," said Senator Steven D.

Herald Tribune

Published With The New York Times and The Washington Post

A Hard Economic Lesson

Securities markets worldwide have re-coupled half their trillion dollar losses, a recognition that the bricks and mortar of world production remain fundamentally sound. But make no mistake: The stock market crash reflects an equal recognition that the world economy will remain at great risk until leaders demonstrate they can face up to hard political decisions.

For America, that means budget deficit reduction. For West Germany and Japan it means a broadening of perspective from officials accustomed to roles as international leaders. For all, it means agreement on a workable strategy for pulling in harness.

Such changes require setting aside parochial and selfish economic policies. But surely the needed reforms will be less painful than the financial collapse waiting to happen next year — or next week.

Those who have been reading the economists' laundry list of worries might well blanch at prospects ranging from depression to hyperinflation. They might legitimately wonder whether any change of course is safer than simply trying to muddle through. There are indeed risks to action. Raising taxes might, for example, tip a weakened economy into recession. But reasonable people ought to be able to agree on the first priority: avoiding a panic flight from the dollar into other currencies.

Such a convulsion, triggered by the belief that the dollar was about to fall, would lead to a collapse in securities markets and a colossal leap in interest rates. At the very least, this would cause a recession destroying tens of millions of jobs around the world. Less likely, but far from impossible, it would end the era of open international trade and investment. That would cripple a system in large part responsible for tripling world income during the past quarter-century.

America's task is to convince foreign pri-

vate lenders that the United States won't wobble on its debts by paying off loans in devalued dollars. That reassurance does not require instant elimination of the budget deficit. But it does demand credible belt tightening. Nothing less will do at this stage than an agreement between Congress and the White House to raise taxes and freeze spending for the military and for middle-income benefits programs. Each must show it can put national above partisan interest.

For Japan and West Germany, the world's primary lenders, the sacrifices needed are largely psychological. They fear even the smallest risk of inflation, but have to take that chance to fill the gap in demand that U.S. austerity will leave. They must also reduce interest rates at home, so that America is not forced to pay recession-inducing rates to satisfy foreign investors. Most important, they have to recognize that in an integrated world economy creditor nations bear much responsibility for keeping currency markets on an even keel. For the coming months and years, Japan and West Germany have to be prepared to act as lenders of last resort. They must be willing to provide whatever amount of yen and marks is necessary to keep the dollar from tumbling out of control.

Nuts and bolts considerations of U.S. deficit reduction — of energy taxes, national sales taxes and Social Security freezes — have fallen prey to interest group vetoes in the past. Past American attempts to induce Japan and Germany to act as locomotive to the world economy have been brushed aside. But surely one hallmark of successful societies is the flexibility to recognize and respond to urgent need. If the loss of a trillion dollars in securities values in a single day cannot move the leaders of industrial economies to make common cause, popular panic will determine our economic destiny.

— THE NEW YORK TIMES

Asia's Nuclear Passions

Is a second-best solution, but one better than no solution, being ragedly applied to the problem of nuclear proliferation in South Asia? India, as the subcontinent's dominant power and a country determined to avenge its border humiliation by China in 1962 and China's first bomb in 1964, exploded a nuclear "device" in 1974. That made it all but inevitable that smaller, already partially dismembered Pakistan would seek to catch up. It has done so behind a veil of secrecy intended in part to spare it the heavy costs (as an aid cutoff, political isolation) of American nonproliferation policy. Its success necessarily shifts the burden of American policy from forestalling a Pakistani nuclear program — a goal now overtaken — to keeping the Pakistani program, and the Indian program it responds to, within certain discreet limits.

Kajiv Gandhi's visit to Washington this week did not signal formal Indian approval of South Asia's new state of "nuclear ambiguity." On the contrary, India regards its program as 1) its business alone, 2) peaceful

and 3) designed less to intimidate Pakistan than to deter China. To President Reagan's plan for an Indian nuclear "dialogue" with the Pakistanis, Prime Minister Gandhi offered only "frank discussion" with Americans. This is unfortunate. The surest way for India to choke off Pakistan's nuclear progress would be to enter such a dialogue. But Mr. Gandhi did say that India would not go ahead with an actual bomb of its own "unless constrained to do so" — words that leave India policy open to future choice.

Surely Indians understand why Americans are reluctant to sacrifice support for the Afghan resistance — support rendered chiefly through Pakistan — to punish Pakistanis for a nuclear program for whose likes India, not to speak of Israel, goes unscathed. And surely Indians realize the advantages to themselves of having Pakistan stay in a close and constraining security relationship with the United States rather than be cast out by an aid cutoff into a loneliness in which its nuclear passion could only grow.

— THE WASHINGTON POST

A Victory for Free Speech

Four years ago, three groups of Americans invited controversial foreigners to come to the United States to speak. Those invited haven't yet been granted visas, but this week they came a little closer to making their trips. Tomás Borge Martínez, the interior minister of Nicaragua, was to be the guest of a group including members of Congress, university professors, journalists and religious leaders. Nino Pasti, a former Italian army general assigned to NATO, who opposes the deployment of U.S. missiles in Europe, was invited to a nuclear disarmament rally in Boston. Olga Finlay and Leonor Rodríguez Lezcano, Cuban speakers on family law and women's rights, had been asked to lecture by the New York City Commission on the Status of Women. All four were turned down for visas by the State Department on the grounds that their presence in the United States would be detrimental to national security.

Suits were filed by those who had issued the invitations, and though they were unsuccessful in the trial court, the federal appeals court for the Washington circuit ruled in favor of the plaintiffs, a ruling affirmed by the Supreme Court in a tie vote on Monday. Because of the tie, the holding applies only in the Washington circuit, but since most litigation involving visa denials would be brought there under any circumstances, the ruling is important.

The appellate court had held that, under the terms of the Immigration and Nationality Act, the State Department cannot ex-

clude a visitor simply because he or she is affiliated with a Communist or other suspect political organization. A judgment must also be made that this person will engage in activities while in the United States that would be detrimental to the national interest. Otherwise, Congress must be specifically notified of each visa denial. These are the guidelines set up by Congress in 1977, when the McGovern amendment was passed to curb the power exercised by the executive branch to keep unpopular and controversial speakers from entering the country.

If the State Department can show in court that Tomás Borge, Nino Pasti or Olga Finlay and Leonor Rodríguez are likely to incite riots, bomb buildings or smuggle arms from the United States, they will not be allowed to come. If, as seems far more certain, the case, the only reason for keeping them out was their membership in certain organizations or the unpopularity of their causes, their entry should never have been viewed as a threat to the national security in the first place, but rather as evidence of that security.

Political affiliation and speech are not grounds for any penalty. The irony of excluding visitors because they have exercised rights that Americans cherish is obvious. A truly secure democracy cannot be harmed by a visitor's words. Let these visitors and others like them come if they wish. The embarrassment was keeping them out.

— THE WASHINGTON POST

Other Comment

Those Institutional Spenders

When the Dow Jones index plunged on Monday, it was a hostile comment on a crucial aspect of the American political system: the inherent reluctance of president and Congress either to raise taxes or cut government spending for fear, either way, of being voted out of office. The same would be true of politicians the world over. But in the United States the reluctance is built into the country's political institutions.

— THE TIMES (London)

A Last Chance for Reagan

How much the Reagan presidency has changed can be gauged by comparing its first year with prospects for the final year. What was once a vibrant, aggressive administration has become a gaggle of discredited politicians. There is a basic optimism in Reagan's personality that may still serve him well. But Americans need better government than they have been getting. And Mr. Reagan has this last chance to provide it.

— THE BALTIMORE SUN

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A Remarkable Collapse, But This Isn't 1929

By Robert J. Samuelson

WASHINGTON — Wall Street's panic has been dizzying. To the superstitious, ominous coincidences are obvious: The Great Crash of 1929 also occurred in October. What does the stock collapse of the past week mean? I will not attempt to offer instant wisdom, but here is an attempt to provide some perspective.

Caution Number One: No one really knows what is happening, and almost everyone has ulterior motives. Brokers and government officials who talked soothingly of a "correction" aimed, unsuccessfully, to avoid a panic. Beware also of those who moralize about the "crash." If the stock market boom symbolized the Reagan prosperity, then a collapse is supposed to show that prosperity rested on greed. Though that verdict may satisfy some, it may also be bad economics.

Caution Number Two: The stock market's back is typically worse than its bite. Even the Crash of 1929 did not "cause" the Great Depression. Though the market's collapse helped end the 1920s' boom, mistakes in government policy converted a business downturn into the Depression. The Federal Reserve permitted the banking system to disintegrate. From 1929 to 1933, two-fifths of the 25,000 U.S. banks went out of business. Consumers' deposits were frozen, business loans curtailed. By 1933, unemployment was 25 percent.

What triggered the 1987 panic is anyone's guess. There were bad trade figures last week; the United States and West Germany were quarreling over interest rates. In a sense, the cause does not matter. Panics are driven by fear. For much

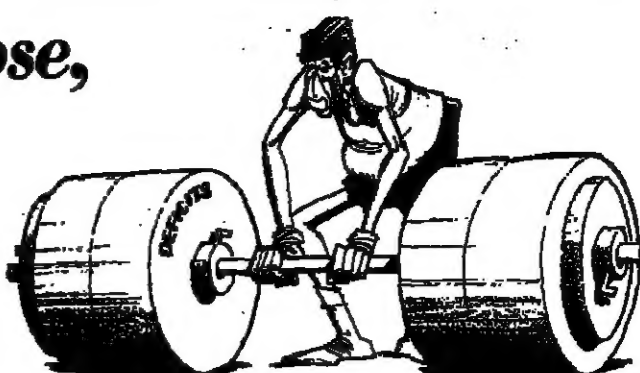
of the year, market analysts were saying stock prices were too high based on traditional measures: profits, interest rates, underlying corporate assets. The market subsided on faith, and once selling pressures developed there was no strong case for anyone to buy.

The market always bounces around. Monday's collapse was followed by a partial recovery Tuesday and Wednesday. Only with hindsight do we know which bounce has broader significance. All we can do now is examine the current decline.

How does it compare with previous drops since World War II? Generally, it is much worse. Since 1948, there have been 10 major market declines. The largest drop, from December 1972 to September 1974, was by 46 percent. Declines have averaged 23 percent and have been gradual; it has taken stock prices an average of 14 months to hit bottom from their peaks. By contrast, this collapse has been deep and swift. Stock prices peaked in August. Even after Tuesday's rise, they were down nearly a third from that peak.

Easing the severity of the plunge is the enormity of the previous stock boom. Huge paper profits accumulated. When the boom began in August 1982, stocks on the New York Stock Exchange were worth \$1.1 trillion. By this August, their value exceeded \$2.9 trillion. The boom lasted twice as long as the postwar average (30 months), and the price rise was more than three times bigger.

Does the market collapse signal a recession or economic slowdown? It could. In theory, the market is a leading indicator. Rising prices reflect hopes of higher production and



profits, while falling prices indicate fears of poor sales and profits. A falling stock market has preceded every postwar recession except the brief 1980 recession, according to Geoffrey Moore, head of the Center for International Business Cycle Research. On average, the stock decline has occurred nine months before recession began. But a market decline is not a reliable signal, Mr. Moore said. At least three drops (those of 1961-1962, 1966 and 1976-1978) were not followed by recessions.

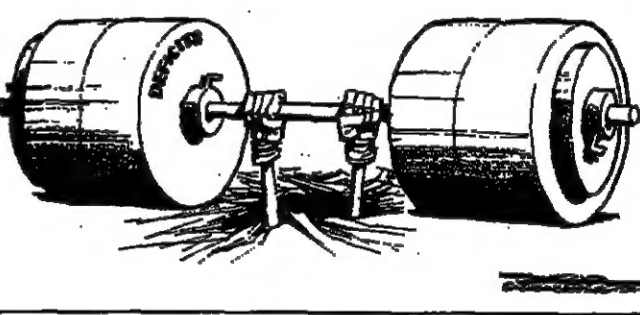
Until recently, most economists have been optimistic about the outlook. Consider the average 1988 forecast of 51 economists surveyed by the Blue Chip Economic Indicators newsletter. It predicted 2.8 percent economic growth and a stable unemployment rate of about 6 percent. But recent rises in interest rates could weaken growth. Some economists now expect rates on conventional mortgages to hit 12.5 percent; for most of the year, they were 10 percent or less.

Could the market's drop itself depress the economy?

Perhaps. The theory is simple: A rising market encourages consumer spending by making people feel wealthier; a falling market does the opposite. But too few Americans may own stock for market changes to influence consumer spending significantly. Probably fewer than 25 percent of families own stock. In 1983, the median investment was worth \$4,016; that may have jumped to \$12,000 by 1987. Only among families with more than \$30,000 income are stock investors a majority.

Of course, the stock market crash could affect a lot of noninvestors. Consumers could get nervous and delay spending, especially on expensive items. Businesses could cut investment plans until the outlook is clearer. Some companies may need to make bigger contributions to their pension plans, leaving less money to invest in plant and equipment.

Once the market starts falling, what is to stop it?



Stocks could get "cheap." In August, stock prices were roughly 22 times profits. Price-earnings ratios that high had not been seen since the early 1960s. The market's decline now brings stock prices to about 14 to 15 times earnings, which, though high compared with the 1970s, is more in line with the 1960s and 1950s. Will that tempt buyers? Many investors who sold now have large amounts of idle cash. But there is no guarantee that they will come back into the market, especially if they figure prices are going lower or that a recession will cut profits.

Economic panics defy easy analysis. But the stock market panic is just that: a stock market panic. The question now is whether the stock collapse portends an upheaval in the real economy of jobs and production. In the end, the stock market mostly reflects what happens in the real economy; its influence on the economy is secondary.

The parallel with the 1930s becomes relevant. The 1987 market collapse is roughly the same size as 1929's. What is forgotten is that by early 1930, stocks had staged a substantial rally. The Depression deepened only because governments could not cope. America did not protect its banking system. Protectionism flourished. Cooperation among governments was modest. Major nations were on the gold standard, and each acted to protect its scarce gold reserves. Similar mistakes today would be disastrous. West Germany and Japan need to expand their economies to help stimulate the rest of the world. The United States needs to reduce, gradually, its large budget deficits. Everyone must avoid protectionism.

The fabric of economic confidence is strong. But once torn, it is hard to mend. The stock market collapse is only a preamble. To what? No one knows. What counts now is how consumers, businesses and governments react.

Newsweek

The Party's Over and the Mess Is Still Here

THE BINGE is over. It couldn't go on forever — the quick fortunes, the midnight raves and computer-driven program trades, the junk bonds, poison pills, leveraged buyouts, options — all the glitz and glamour, the danger and thrill. It's over.

Wall Street has supplanted Las Vegas, Atlantic City, Monte Carlo and Disneyland as the place where dreams are made, where castles appear in the clouds. It was Pinocchio's Pleasure Island, where children (and the adults whose bodies they inhabited) could do and have whatever they wanted, whenever they wanted it.

The end of us pretended not to notice. Oh, yes, we moralized over insider trading and we organized ethics courses at our business schools. But for the most part we let the kids play, telling ourselves that they must be doing something important. How else to explain the millions they earned, and the steady march of the best of our students to their sides?

Financial experts assured us that these antics were good for America because they helped restructure the economy. The purpose of the corporation, the pundits explained, was to maximize share values. Thus, Wall Street's paper shenanigans, pushing share prices ever higher, were also making America more competitive, they said.

Meanwhile, the party went on. The noise grew louder, the games more raucous. Even Pinocchio noticed that some of the more exuberant children were spouting long cars and tails. But nothing is better and the binge seems to be over. Many have hangovers. Many have worse. The jackasses are identifiable. The rest of us, who pretended not to notice, are left with the job of cleaning up the mess.

— Robert Reich, who teaches at Harvard University's John F. Kennedy School of Government, contributed this view to The New York Times.

A Soviet Turnaround May Let the UN Work, at Last

By Flora Lewis

PARIS — The assurance of a new director-general for UNESCO comes when there are arguments of hope that the United Nations itself may be pulling back from the miasma in which it floundered for nearly a generation.

UNESCO suffered the most from the UN disease of ideological logging, mismanagement, verbal aggression, even corruption. Under Amadou Mahtar M'Bow, an organization founded to promote international cooperation on education, science and culture became an arena for promoting conflict. The United States pulled out in disgust in 1984, followed by Britain and Singapore.

The nomination of Federico Mayor Zaragoza of Spain after a nasty all-night session of UNESCO's executive committee is not the end of the battle. Mr. M'Bow angrily charged that "backstabbing and disloyalty" blocked his attempt to win another six-year term after 13 years of running down the place. The election of Mr. Mayor by the full membership probably will provoke further fury and divisive accusations.

One UNESCO insider said the reason Mr. M'Bow's mostly African supporters are so doggedly against the Spaniard is that he can be expected to open the books, get rid of Mr. M'Bow's cronies and cut out boondoggles. There is an enormous task ahead for Mr. Mayor if he is confirmed, and the states that have quit probably will wait to see how well he manages before deciding to return.

Fair enough — but it will be important for the United States to be seen to encourage effective reform. The Reagan years have brought many countries to suspect that the policy of the United States is to undermine all international organizations that it cannot dominate. The big change, however, has been in Soviet policy. The Russians and their allies voted for Mr. Mayor in the last round at UNESCO, a major factor in swinging the majority. More important, Moscow is showing a serious reassessment of its own role in the United Nations. This reinforces signs that it is undertaking a profound review of its approach to the Third World.

When Mikhail Gorbachev's article on the United Nations appeared in September it had little impact precisely because it suggested so many reversals of established Soviet positions that it seemed more confusing than enlightening. But now Moscow is moving to back up some of its words. It has agreed to pay up its \$197 million in back dues for peacekeeping forces it opposed. It has allowed Kabul to speak of UN peacekeepers in Afghanistan if there is a settlement and if Soviet troops withdrew, an idea favored by Pakistan.

The Soviet leader made a long list of proposals which, if Moscow is serious, would add up to a shift from using the UN system as a West-bashing propaganda forum to an attempt to make it work more constructively.

The Cold War began immediately after the United Nations was founded, and with decolonization the UN lost weight and effect in inverse ratio to its swelling membership. The Russians looked to the newly independent countries for allies against the West. Less than a decade ago, they thought they were winning in this global campaign, and a lot of panicky Westerners thought so, too. Now Moscow seems to have reconsidered. It is part of what Mr. Gorbachev called "new political thinking," permeated with a realistic view of what is — happening around us and a realistic view of ourselves.

The Soviet commentator Alexander Bavin was more explicit. He wrote that "the ability of capitalism to adapt to the new historical setting has surpassed our expectations. The prospect of socialist transformations in developed capitalist countries has receded indefinitely. . . . In a number of countries of socialist orientation, the situation remains unstable, fraught with the possibility of regression."

"Socialist orientation" refers to Marxist-leaning countries that are not considered full-fledged Communist allies: Angola, Mozambique, Ethiopia, Nicaragua. The "possibility of regression" means introducing free market systems and looking to the West.

If this is the current Politburo conclusion, it is a major shift and implies that Moscow gives higher priority to agreements with the West now than to courting and trying to dominate the Third World. Mr. Gorbachev expressed doubts about the cry for "a new world economic order," and said, "this world has ceased to be a sphere in which the big and strong divided into domains and zones of vital interest."

Whatever he means by that, he does seem to think that it would be better for Moscow to help the United Nations function reasonably. That may explain the vote for Mr. Mayor. It is an encouraging start.

The New York Times

UNESCO: A Long, Hard Fight to the Top

By Victor de la Serna

MADRID — Federico Mayor Zaragoza won his first battle when he presented himself as the "independent" candidate to become director-general of UNESCO and then upheld that definition throughout the grueling, bitter nomination process. He refused to enter any face-saving compromises with Amadou Mahtar M'Bow's backers on the organization's executive board.

Now that he is slated to succeed Mr. M'Bow, Mr. Mayor's best chance of success is to stay independent and, as he has pledged, devote himself to the task of "returning the secretariat to the level, the dignity and, mainly, the spirit, the strength and the vigor which it traditionally had."

The Barcelona-born biochemist is regarded in Spain as intellectually capable of the task ahead of him, with a sound combination of academic and political experience. There is little doubt here that he is sincere when he says he wants UNESCO to return "to the task of promoting culture, which means promoting freedom." He has refrained from directly criticizing Mr. M'Bow, who bowed out of the race in typically venomous style with a letter intended to discredit his rival's standing before the coming general conference. But Mr. Mayor has clearly set out to repair the wreckage left by the outgoing director-general.

Mr. Mayor has a lot of convincing to do. He will not only have to win over the Third World countries that repeatedly voted against him during the nomination process, but also to ally Western reservations about his past as Mr. M'Bow's deputy, and particularly about his stand on UNESCO interference in international information policies.

But there is more merit than is immediately apparent to Mr. Mayor's difficult ride to the top. When, after his election, he asserted that he was "not the candidate of the West," the Soviet news agency was paying very little tribute to the man's independence. To begin with, he was not even backed by his own government until the last minute, and then grudgingly. That is because the former education minister in a cabinet is still active — as a European Parliament member — in Adolfo Suárez's opposition party, the Democratic and Social Center. Then he had to fight the steadfast French opposition at UNESCO, which made a united EC front impossible. And then the Africans snubbed him to the last.

Finally, the United States welcomed his nomination in less than enthusiastic terms.

Mr. Mayor's one-man struggle may actually help him to succeed. His one source of solid support has been the world's scientific community, including the 12 Nobel Prize winners who signed a statement in his favor. If the remaining Third World countries can be convinced of his independence — as some already are, including China, India, some Arab countries and all of Latin America — then he could be an effective bridge-builder. No one's "official candidate" can realistically hope to lead a

divided UNESCO back to normalcy.

A decisive test will be Mr. Mayor's attitude in the vexing dispute over a "new world information order." Spanish journalists recall speeches and articles by Mr. Mayor during his tenure at UNESCO, almost a decade ago, in which he seemed to toe Mr. M'Bow's line too closely. Has he outgrown that position? His subsequent political career in Spain, first in a cabinet and later in a party that stood resolutely on the side of press freedom, as well as his more recent stances, give hope.

International Herald Tribune

What are the chances of Mr. Delors? — a former French finance minister and a veteran central banker — being able to take the place he so covets within G-7? Washington, to judge by Treasury Secretary James Baker's recent statement at the joint meeting of the World Bank and the International Monetary Fund, increasingly looks upon G-7 as an integral part of the same structure as the annual seven-power world economic summit. That possibility means the Reagan administration will be softening its opposition to make in support of its case.

Mr. Delors is letting it be known that he will be playing the matter by ear. He can raise the bidding by introducing the issue at any of the regular meetings of EC finance ministers, but that also could precipitate an embarrassing confrontation with the United States and Britain. Mr. Delors would clearly prefer to keep lobbying quietly, then push on an open door.

International Herald Tribune

100, 75 AND 50 YEARS AGO

1887: Alliance Rejected

BLOEMFONTEIN — The Conference between the Presidents of the Transvaal and the Orange Free State has concluded without definite result, the Free State declining the terms of which the Transvaal offers its alliance. The Free State Volksraad has sanctioned the holding of a Conference on the Customs and Railway questions separately. President Kruger, of the Transvaal, refuses to participate in the proposed Conference.

1912: Titanic Memorial

NEW YORK — American women propose to erect a beautiful monument at Washington "in honor of the men aboard the Titanic who died so that the women and children might be saved." They have raised \$30,000 and want \$70,000 more. The women's Titanic committee includes Mrs. Taft and all the best known women in the United States.

The EC Case For Making G-7 Into G-8

By Giles Merritt

BRUSSELS — With the world still watching the stock markets and holding its breath, the questions surrounding international monetary cooperation and surveillance become more urgent than ever. But any move toward even closer monetary and exchange rate surveillance is liable to raise the vexing question of whether the entire European Community should now be allowed to join G-7, that most exclusive economic club.

The EC Commission in Brussels, backed by a majority of EC member countries, says yes. The G-7 members — the world's seven richest democracies — so far have been unconvinced.

The commission's view is that it has a vital role to play within the monetary and macroeconomic policy cooperation framework afforded by G-7. And that the stock market crisis reinforces its case. But skeptics say that the EC body has neither a currency nor an economy under its direct control.

The story of the EC's bid, and the difficulties and snubs it has encountered, is perhaps most eloquently told by photographs of world leaders that are taken at the end of summit meetings.

At center stage stand the stars: Reagan, Thatcher, Mitterrand, Nakasone. They are flanked by the Italian and Canadian leaders. At the edge of the picture is a bespectacled man who somehow looks in the group but not of it. He is the president of the European Commission, Jacques Delors.

Ten years ago his predecessor, the British politician Roy Jenkins, won a place at the summit table for the European Commission as representative of the EC. Thus there are eight participants in the annual seven-power world economic summit meetings.

Mr. Jenkins gained the European Commission its seat by pointing out that Brussels is responsible for all the EC's international trade negotiations, and conducts them on behalf of the whole community. He also argued that while Britain, France, West Germany and Italy were participants, their smaller EC partners were excluded. It was a convincing argument. So why did it fail to persuade a second time when Mr. Delors proposed at last year's Tokyo economic summit that the EC also be admitted to G-7?

The chief reason was that President Ronald Reagan said no. He told Mr. Delors that there was no room in the club that had been formed in September 1985, when Japan, Britain, West Germany, France and the United States met in New York and agreed to drive down the overvalued dollar.

To be precise, Mr. Reagan said that the original membership of that meeting was to be extended to include Italy and Canada, and he reportedly offered Italy a choice of stepping down or the extension in favor. Britain supported the U.S. veto, while France and West Germany favored the EC application but chose not to make an issue of it.

Thus G-5 became G-7, but not G-8. Yet there seems little logic in keeping the EC Commission inside the framework of the seven-power economic summits but outside the same countries' system for monetary cooperation and exchange rate surveillance.

The European Commission has by no means abandoned its membership bid. It has a number of points to make in support of its case. • Because of the European Monetary System (EMS), it represents a comparatively cohesive bloc of economies and currencies.

• It is at the center of the EC's efforts to concert economic policies and promote economic convergence.

• Regulating international finance is directly linked to the major trading countries' concern to settle international trade problems.

What are the chances of Mr. Delors? — a former French finance minister and a veteran central banker — being able to take the place he so covets within G-7? Washington, to judge by Treasury Secretary James Baker's recent statement at the joint meeting of the World Bank and the International Monetary Fund, increasingly looks upon G-7 as an integral part of the same structure as the annual seven-power world economic summit. That possibility means the Reagan administration will be softening its opposition to make in support of its case.

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International Herald Tribune

OPINION

In That Crash, the Age of Reagan Ended

By Anthony Lewis

BOSTON — That noise you heard was not just the crash of the stock market. It was the crumbling of public support for Ronald Reagan.

In a moment of frightening crisis, the president of the United States was treated as essentially irrelevant. The financial experts and politicians who appeared on television, people of both parties, showed no expectation of leadership from Mr. Reagan. It was as if they were embarrassed to mention his name.

The reason for the disregard is no great mystery. Practically no one in the United States, not even those who admire Mr. Reagan as a person, thinks he has any sense of economic reality. But it is another way: It is fun to live in a time of world with a song-and-dance man, as long as reality does not intrude. When it does, the wave and the grin do not count for much.

The age of Reagan is over now, no matter what happens to the stock market. People are not going to forget Monday, Oct. 19. They are not going to forget the feeling that things were spinning out of control and that they could have no confidence in this president's grasp of the situation.

And it was not just that Monday, the one day. For some time Americans have had an uneasiness about the state of their country, an uneasiness that has been in their thoughts when they were interviewed in depth in attitudinal surveys. The uneasiness was there despite all the positive economic indicators.

They suspected that they were living in an economic fantasy. That is my guess.

They were being told again and again that they and their country could have something for nothing, wealth without paying for it. And they did not really believe it.

The charm of Ronald Reagan fronted for the snake-oil salesmen of the New Right. They invented Reaganomics: the notion that the government could cut taxes drastically, increase its defense spending enormously, then spend its way out of the deficit. They preached that the market could solve all problems, that government regulation must go. The president was the perfect front man, because he believed it.

"He believes that he can think a thing true and it will be true," Jim Wright, the speaker of the House, said in a breakfast meeting with reporters last month. "He has a capacity of psyching himself up into a frame of mind in which he can utterly reject factual data if they do not conform to his preconceived notion. He is ignorant of the facts of which a president should be aware, and willfully so."

A good many Americans will no doubt continue to feel affection for the president even as they recognize his distance from reality. But I do not think he can recover the political hold he had on the nation for so long. The essence of presidential power is public confidence and there can be no confidence in a president perceived as irrelevant.

Some will feel sorry for an aging politician who has lost his grip. But what

Mr. Reagan has done to the United States seems to me to exclude sympathy.

Here was a president with tremendous political support, one who had Congress jumping to his tune for four years and more. Yet when it came to the economic issues crucial to his country, what did he do with that power? Nothing. He squandered the opportunity. He talked about reducing the budget deficit but in fact ran up the biggest deficit in history — more in total than all the presidents before him. He "preached one thing and did another," the former secretary of the Treasury, William Simon, a conservative Republican, said the other day.

Mr. Reagan did nothing, either, about the trade deficit. He boasted about a prosperity that was in fact maintained by foreign money: \$150 billion a year buying up U.S. property and securities. Everyone knows that cannot go on, and what happens when it stops? Mr. Reagan's idleness has made more likely a protectionism that will breed economic disaster for all, as it did in the 1930s.

The Great Communicator does not even communicate anymore. To deal with the market crash he shouted a few ad-hoc remarks over the roar of a helicopter.

"Someone has to take charge," the Senate Republican leader, Bob Dole, said after the crash, probably without irony. The public will certainly feel that way now. The presidency awaits a candidate of either party who can persuade the voters that he will confront economic reality — who can renew public faith in leadership.

The New York Times



'Correction' — This is not just a correction.

The Day of the Tuxedo Dawns On the Land of the Rising Sun

By Yoshiro Mori

TOKYO — In Japan, like everywhere else I suppose, adults don't have much good to say about young people. We call them "the new species" and regard them as "me generation" of easy-going, unconventional individualists.

I used to think the criticism was an unfair exaggeration. But when I see youngsters decked out in tuxedos, cummerbunds and black bow ties for

the funeral last week. Little did I know. The day of the dinner, I wondered what kind of suit to wear. The invitation only mentioned the color of the tie, so I checked with the prime minister's secretary. With a surprised look, she informed me politely that black tie meant a tuxedo.

"But I don't have one," I confessed. "Oh, that's no problem," the secretary replied serenely. "You can rent an outfit from a department store. And ask for the right shoes and socks while you're at it."

I rushed to the nearest department store, but no luck. Although relatively tall for a Japanese, I am broad in the beam. The store had trousers to accommodate my ample girth, but they were too long, and I tripped over the cuffs when I tried to walk. I would have been a laughingstock. I telephoned my regrets, pleading a sudden indisposition.

A bellyache works once, twice, and people start to smirk. I called the deputy chief cabinet secretary, a college schoolmate of mine, and suggested jokingly that he find me a tuxedo so I could avoid a relapse. He ordered a custom-made tux and presented it to me as a gift. Since then, I have attended many formal dinners, including one of President Reagan's inaugural banquets in Washington.

I also discovered that while tie means tails — formal evening wear, I had a tail coat made when I became deputy chief cabinet secretary under Prime Minister Takeo Fukuda in 1978. But rarely is such formality required, and I wore it only once. It hangs next to my tuxedo.

Recently, I was invited to the wedding of a famous politician's son. The invitation said formal dress. But I had forgotten how to wear a bow tie. Did the peaks of the black butterfly bow face up or down? My wife chose this moment to be my sartorial adviser. "Down!" she said. "Up!" I insisted. Finally, we checked an old photo, and I was right. At last I knew how to wear a tux. I thought proudly.

At the reception there were 1,000 men in tuxedos! It struck me how Japan had changed: Ten years ago, I didn't even know what black tie meant.

Recently, someone gave me a bolt of top-quality cloth and a gift certificate for the tailoring. I handed it to my eldest son, who is 22, and told him: "You've joined the workaday world now. Go get yourself a suit."

"Any style?" he asked. "Suit yourself," I said magnanimously.

Wouldn't you know it? The rascal ordered a tuxedo — a very elegant one at that. He still doesn't own a conservative suit, but off he goes to parties in black tie, cummerbund and spencer jacket. Who can figure out the younger generation?

The writer is a member of the Japanese Diet and a former education minister. This article, from the monthly *Chuo Kuron*, was distributed by The Asia Foundation's Translation Service Center in San Francisco.

LETTERS TO THE EDITOR

Canadian Sensibilities

On a recent visit to Montreal, my first in many years as an expatriate, I encountered some of the pride and gentleness evoked by Hans Koning in "Living in Montreal: 'Bien Dans Ma Peau'" (*Meanwhile*, Oct. 9). One is happy to see such a civil city receive such praise.

But the factual errors make me wonder how attuned Mr. Koning is to the political and cultural sensitivities that occasionally sour Montreal's civility. The air force officer was right to resign if he was sick of toasting "La Reine." She is the head of the state to which Canada's unified military forces are meant to be loyal, no matter how inappropriate that situation — indeed the whole idea of European-style nation-states — may be in North America.

Quebec has not opened its doors, generously or otherwise, to immigrants. The doors are not its to open. Immigration is controlled by the Canadian government, which is now introducing measures somewhat less generous than in the past. What has been generous is the relaxed attitude Canadians, unlike Americans, have about forcing immigrants into a "melting pot" — except in Quebec, where, perhaps justifiably, French is imposed rather more aggressively than,

say, English is imposed in Toronto.

And I wonder about the editor Mr. Koning mentioned who thinks there is "nothing" between Montreal and the North Pole. He was forgetting the several Indian and Inuit nations who get in the way, sometimes quite literally, when large power dams are to be built. The Québécois have sometimes been less solicitous about the survival of these other cultures than about their own.

Finally, Antoinette Maillet did win the Prix Goncourt, but she (not he) is Acadian, not Québécois. That culturally distinct Francophone community of the eastern provinces is tired of seeing Canada's "French face" equated with the political aspirations of one large province, however delightful its metropolis may be.

DEBORAH MACKENZIE, Brussels.

Tripping Over Greek Roots

Regarding "Finding the Roots of Modern Greece" (Sept. 4) by Alan Cowell:

Mr. Cowell might try to find the missing link between the wonderful race that populated Greece of around 500 B.C. and the Greeks of today and come to the conclusion that somewhere in the course of history something went amiss. Quoting Emile Bouratinos, the Greek

cultural assistant in the U.S. Embassy, he writes: "Today the best one can see in plays and books is a reflection of Western philosophy, Western theater, Western music. So what is particularly Greek? The bouzouki?" And further on, "Between the bouzouki and Mozart there is no bridge."

Mr. Bouratinos seems obsessed by the bouzouki, which was imported by our oriental "friends." And while Mozart was composing his symphonies, concerts and operas — highly appreciated by the "Westernized" Greeks of today — and being financially supported by some wealthy archbishop or other, in Greece every liberty of thought and expression, far from being encouraged, was considered a crime.

Besides, Mr. Cowell seems to ignore such Greek composers as Perikles Yanopoulos, who struggled for the national music academy "because we have the freedom to create what we want," without influence from either West or East. And what about operas composed by Manolis Chomoris on singularly Greek subjects and not on some cheap-novel libretto ("La Traviata," for example).

As to the subject of language, much ink has been wasted in proving that modern Greek is not a continuation of ancient Greek. It is a fact that language is alive and evolves. Italians don't

speak Latin. None of the English would understand Old English. So why should we, above all, have to prove our culture, our origins, our philosophy? It is easy to criticize those we consider inferior. And when Mr. Cowell has found the roots of modern England, I'd be interested in seeing the result.

EVA GHOULOS, Niederanven, Luxembourg.

The Silence From Manila

Three radio stations were closed for "glorifying the enemies of government" and "transmitting the propaganda of right-wing rebel groups." Was it in Managua, which President Reagan pledges to fight until "full democracy is established"? No, Manila. ("Aquino Warned of New Plot," Oct. 18.) Clearly, any government will take measures to protect itself against attempts at its overthrow.

LEONORE SUHL, Paris.

They Were Deeply Moved

Denis M. Blakeley's column, "When the Movers Show Up, Say a Prayer and Serve Tea" (*Meanwhile*, Oct. 6), really hit home. We've made a few moves over the years and, yes, you do meet up with

some real winners. We have resigned ourselves to the fact that any time we move there will be some damage to our goods. But we have just moved to Hong Kong, and when our air shipment arrived we found an inordinate amount of pilferage. This is something we never dreamed would occur. Boxes were opened and completely emptied or items selectively removed. Still in shock, we have been saying a novena in hopes our surface shipment arrives intact.

ERNIE and ROSALIE CICOGNA, Repulse Bay, Hong Kong.

NATO Is Because Stalin Was

Vladimir Alexeev of the Novosti Press Agency, in "A Rebuttal from Moscow" (*Letters*, Oct. 6), criticizes A.M. Rosenthal's opinion column on glasnost. "Four Glasnost Standards for Guaging Soviet Change" (Sept. 28). Mr. Alexeev says the column fails to mention that numerous U.S. bases ring the Soviet Union and that the Warsaw Pact was a response to NATO.

Mr. Alexeev, as do others, even in the West, conveniently neglects to recall the original reasons for the U.S. bases and NATO. When all the world rejoiced at the end of World War II and looked forward to a lasting peace, Hit-

ler's ruthless expansionism was replaced by Stalin's. Czechoslovakia, Poland, Lithuania, Ukraine, Yugoslavia, Hungary, Finland, Latvia, Estonia and Bulgaria did not freely elect their governments. Mr. Alexeev should read "The Rape of Poland" by Stanislaw Malojczyk to be reminded of how it started.

NATO was a reaction to Russia's aggression, a defense, not an offense. If the U.S.S.R. would take action to reduce its threat to the world, it is certain that NATO would respond in kind.

CHARLES J. GIBOWICZ, Madrid.

The Dragon and His Wrath

Reading the editorial "Best Leave Nettle Alone" (Oct. 15), I was reminded of the immortal wisdom of the literary figure most familiar with monster lore, J.R.R. Tolkien, who, when commenting on the monsters in "Beowulf," scolded the critics (and doubters) of monsters. "A dragon is no idle fancy," he insisted. Or, as Bilbo Baggins put it in "The Hobbit": "Never laugh at live dragons." Nettle's hunters should be aware of this wisdom before ever again daring challenge her existence, or her.

BENJAMIN BLATT, Paris.

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هكذا من الاصل

TRAVEL

- The Last Northern Frontier
- Commuting to France
- The Frequent Traveler

TRAVELER'S CHOICE

Cairo's New Underground Railway

Cairo now has a subway, the first in Africa, and the first in the Middle East as well. The 17-mile stretch, which began carrying passengers at the end of last month, is the first section of a system that will have three legs and connect the city's suburbs to downtown. Cairo is a commuter's nightmare, with rush-hour traffic sometimes forcing a driver to spend an hour traveling less than 10 miles. The subway system is expected to alleviate some of that crush. The first stage of the new line runs from Helwan, an industrial suburb south of Cairo, to Ramses Square in the center of the city.

Hard Words for Women Travelers

And now, a phrasebook for traveling women. In addition to the usual translations like "How do I get to...?" or "How much does it cost?" "The Wander Woman's Phrasebook" teaches a traveler to say "Is it safe for a woman by herself?" or "I won't buy anything if you pester me" and "Would you like to walk in the moonlight?" in French, German and Italian. The author, Allison Owings, a television news writer who has traveled widely, said that the book was meant to give peace of mind to women traveling alone or in groups—traveling abroad. She translated phrases like "I'll call the police" and "I would like to get home safely." But there's also a strong bit of tongue-in-cheek here. Consider these phrases: "I'm not interested," "Stop following me," "You are an insult to your country." From bookstores or by mail (\$7.64 including postage) from Shameless Hussy Press, Post Office Box 3092, Berkeley, California, 94703.

Japanese Maze Craze

The Greeks had a sinister use for them; Tudor gardeners thought them decorative. Now the Japanese, the world's most avid and dedicated tourists, have revived mazes as a means of entertainment for the visitor to Japan who longs for confusion amid all the order. Thousands of people, day after day, are finding themselves trapped like laboratory rats in miles of labyrinthine paths, scampering this way and that, turning and returning, dead-ending and false-starting, seeking to escape from a race against time. And they pay for the privilege. "The purpose," said Mary Jayne Testa, a spokeswoman for the Japan National Tourist Organization, "is sheer pleasure, not." Apparently so. A lot of people are willing to pay the \$3 fee that most of the 20 or so outdoor mazes charge. The owners of one maze expected 5,000 people their first year (1986) and attracted 380,000. Another maze set a record of 7,490 wanderers on a single day last year. "The object," Testa said, "is to get through the maze as fast as possible." On average, it takes 45 minutes to escape or give up. Each maze has a theme—such as the Paris-Dakar Rally Maze in Tokyo and the Sherlock Maze in Osaka.

Vatican Coin and Stamp Museum

The Vatican has opened a museum of coins and stamps in the Borgias Tower, accessible through the St. Ann entrance to Vatican City. On view are papal coins dating to 1929 and stamps issued by the Vatican since 1850. The museum will also exhibit tools and materials used in making coins and printing stamps. It is open Tuesday, Thursday and Saturday from 9 A.M. to noon, except on Roman Catholic feast days. Admission is free. Vatican stamps and coins can be bought either at the Philatelic and Numismatic Office in the Governor's Palace or the Vatican Post Office on St. Peter's Square.

Winter Weekends on the Riviera

The French Riviera began its history as a tourist center as a winter retreat for rich English people fleeing the rain and fog at home. After high temperatures in Monaco, Nice and Cannes are in the 50s and low 60s and there is usually lots of sunshine. Now the French are making an effort to relaunch the idea to the American traveler. From November through March, Air France is offering a long-weekend package that includes round-trip air fare and choice of two hotels. Flights leave New York every Thursday, returning the following Tuesday. The package includes four nights at either the Loews Monte Carlo or Loews La Napoule near Cannes, Continental breakfast and a dinner and show. Price: \$779 a person. The airline is also offering "Midi Carlo Magnifique," a one-week stay in Monte Carlo including round-trip air fare, rental car for a week and Continental breakfast for \$949.

Mass Musical Chairs in Singapore

After getting a premier, a cat, a choir, a runner, a hotel and a violin in the Guinness Book of World Records, Singapore hopes to get in again, for musical chairs. The Singapore Tourist Board says that it will stage a mass event with 6,000 people on November 15 to upstage the 1985 record of 5,151 people by Notre Dame University of the United States. The mass musical chairs will be the highlight of this year's Merlion Week, a week of outdoor activities aimed at tourists from November 14 to 22 and ending with the World Powerboat Grand Prix. The musical chair contest could last up to four and a half hours with 100 chairs removed each time the music stops and with three-minute intervals until the numbers are down to 100 chairs. An organizer said that from the last 100 chairs, only one chair will be removed at a time. The starting number of chairs is 5,900.

Best Business Hotels Guide

The term "business hotel" conjures up visions of those soulless temples of glass and concrete, their long empty corridors lined by little boxes and bathrooms, where weary whiz-kids put themselves away in boring uniformity after a hard day's jetting and dealing and before the next. People use these places because they are "convenient" to airports or convention centers, and offer, say, the computer linkups and other services a modern business traveler may require. A new guide, "The World's Best Business Hotels" (published in Britain by Bloomsbury) selects more than 500 establishments in 84 countries which, at varying levels of fame, cost, size and luxury, avoid the worst of that syndrome, including the curse of what it calls the "boisterous conventioners" who tend to take over a place. Too many travel guides, says the editor, financial journalist William Davis, are written for tourists and ignore details vital to business travelers. His guide gives a small sketch of the facade or some characteristic detail of each hotel (a terrace at the Great Wall Sheraton is shown here) and lists such facilities as tele, interpreting, conference rooms, sauna, massage, and health clubs. It also carefully pinpoints the location.



Seeing Europe Through Scaffolding

by Steve Schneider

CROSS a border of any sort, and the world is largely invented anew. Restaurants may exist everywhere, but menus, fork designs and waiter's outfits make regional shifts. Mountain ranges display individual profiles, while pant legs never fall to the same length. A smile is a smile in one land, but a smirk in another. A timetable turns into an horaire even while describing the same line. An Austrian oboist plays in his own petio, sidewalks vary radically in width and even copies of Raphaels subtly betray the paw prints of their copycats.

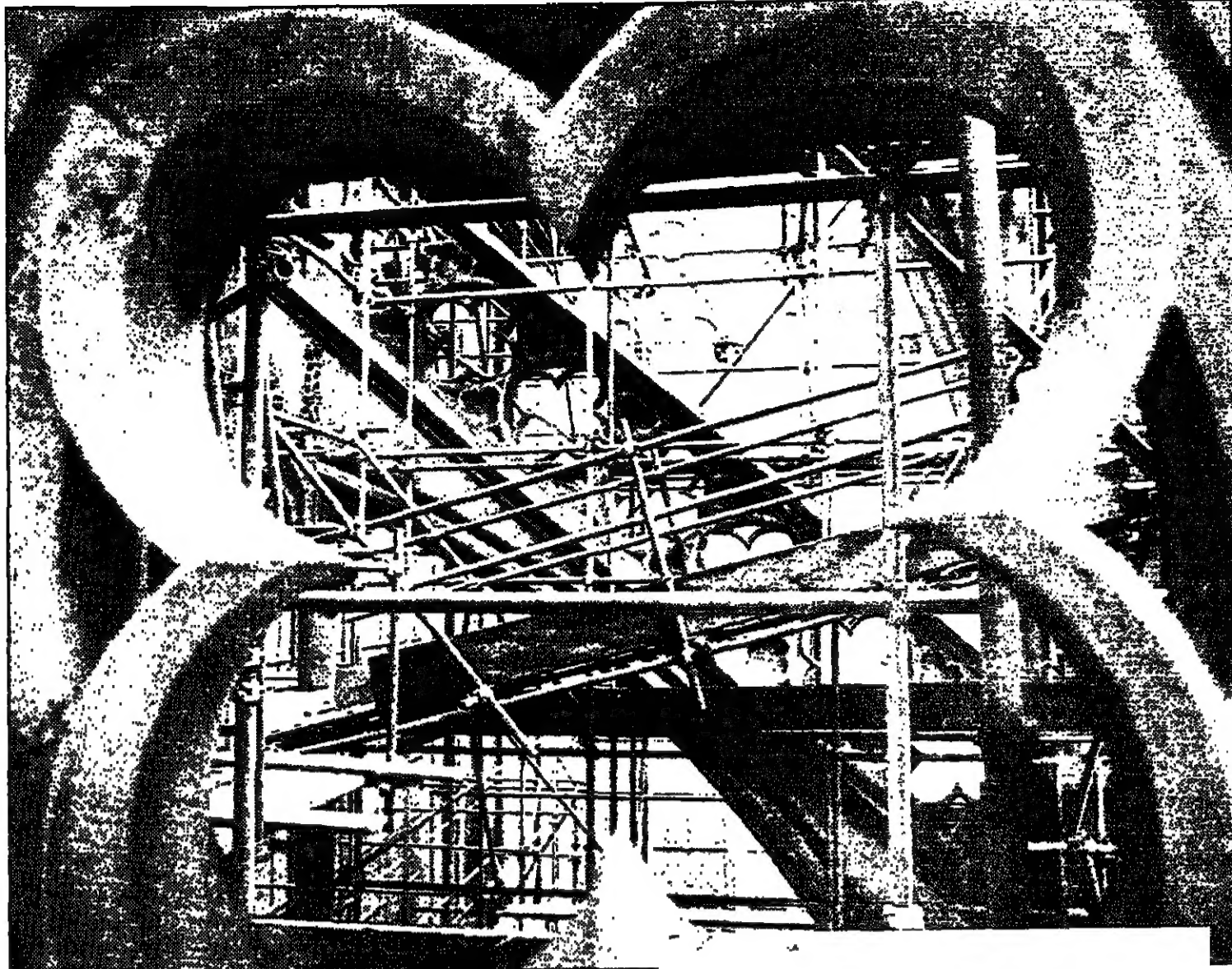
Yet, there is one thing that ties together the traveler's mad flux of experience, an unavoidable something that gives the wildly variable world a measure of coherence. It is an anonymous and reticent presence, and one that is forever taken for granted. Yet it represents the fruit of centuries of widespread development. In fact, I seem to remember seeing, in Vienna, an illuminated manuscript called "The Moralizing Bible" that dated back to the distant 13th century, and even then, it was there: One large and elaborate illumination took its glory from its intricately detailed rendering of a scaffold.

This was, of course, a rumbledown wooden structure—wantonly shedding aghast workers in illustration of an accident at a building site—and as awkward an ancestor of the sleek modern models as an oxcart is of a Chrysler, with options. But there it was, a scaffold stiff and tall, put in place by its crafty illuminator as a point of reference for his viewers, so that even this frightful image would contain something familiar and could therefore be received with empathy. This was created by one artisan who knew what it took to make his work mass marketable in those medieval days. In fact, it's a trick that is returning to favor among photographers today: Increasingly, tourist brochures, official postcards and the like sport pictures of city vistas in which scaffolds rise meter for meter with the town's preeminent towers and spires. The wondrous coexists with the familiar. Astonish them with architecture, these pictures say, but also reassure them that they have not quit the known world.

These reflections were prompted by a recent trip to Prague—that unsinkable city where the richness of the past italicizes the impoverishment of the present. After walking through the black and massive stone tower that serves as a gate to the old town, my gaze fell on a nearby building, and I found myself struck with the thought, "Ah, I didn't know Christo had a project going here." Soon enough, it came to me that he didn't, and that I was looking up with admiration at the taut curtains of macerous plastic that enfold some of the more advanced forms of scaffolding.

It's about time that admiration became a permissible response to the sight of scaffolding, a tolerable alternative to the more customary indifference, scorn or loathing; indeed, it is in our best interest to adapt, for in weather-beaten old Europe, scaffolding springs eternal. The ornate cathedral of Cologne has known scaffolding for more than 25 years, as its highly friable sandstone falls to pieces, ogival arch by ogival arch. In Spain, Palma de Mallorca's Lonja, the much-visited 15th-century Gothic marketplace, has been wearing a bathrobe for the last six months, and the cathedral in Granada is similarly shrouded.

But scaffolding gives, as well as takes away. The Nelson Column, in London's Trafalgar Square, is due to make a proud reappearance at the end of the month, after nine months of scaffolded renovation; likewise Big Ben, following over two years of grooming, now looks its nattiest since 1934, when it last came out from under covers. In Florence, the Loggia della Signoria, the great outdoor sculpture theater, is outdoors no longer. But the stately 14th-



The Associated Press

century tower of the Bargello Palace has recently returned as an embellishment to the skyline, not an embarrassment, after a three-year rest cure.

Yes, if we could put aside our ancient resistance, there is much to gain by a thaw in traveler-scaffold relations. Like many overlooked things in the everyday environment, scaffolds can, if properly considered, both edify and entertain.

To begin with, scaffolds embody many key features in the development of Western art, containing formal allusions that span centuries. They are mini-museums by themselves. For example, in their regular rhythms of posts, lintels and bays, scaffolds can be seen as perfectly realized expressions of the neoclassic spirit—all clean lines and noble proportions. And scaffolds' insistent use of verticals and horizontals was clearly a seminal influence on the work of the revolutionary Dutch artist Piet Mondrian, indeed of the entire De Stijl group.

Still another 20th-century school, Constructivism, acknowledged its debt to scaffolding in its very name—as if its devotion to metals and geometric reductions were not tribute enough. Similarly, the design of the popular Pompidou Center in Paris, with its tangled exoskeleton of escalators and struc-

Scaffolds embody key features in the development of Western art, containing formal allusions that span centuries. Above, scaffolding at the Cologne Cathedral and, right, the statue representing the city of Rouen at Paris's Place de la Concorde.



Dider Cret

Continued on page 8

A Walk in Mountains Where Beaufort Is Made

IT IS sunrise of the 110th day, just after the feast of St. Michael, and on the slopes of the Versant du Soleil everyone is eager to get on with it. A majestic veil of mountain fog hovers about the Savoyard chalets and steam rises from within, as the copper cauldron of fragrant, fatty cow's milk churns above a crackling fire.

It is the final day of the season, and the last time this year the montagnards will be

PATRICIA WELLS

making butter-yellow Beaufort, the prized alpine cheese that has been called the king of the mountain, the prince of Gruyères.

At 1,700 meters (5,570 feet), a carpet of ground frost is a sign of approaching winter. The montagnards who have spent the summer and early fall here feed it, the farmers who have come up from the valleys feed it, and the hazelnut-brown cows that have just completed their summer mountain "cure" feed it. It is the moment of the fall transhumance, the daylong trek from the mountain pastures down to the warmth of the barns in the Isère valley.

As Beaufort tradition dictates, independent farmers with 10 or 12 cows each group them from late June to early October, and

the Tarine and Abondance cattle rove in herds of 100 or more from mountain pasture to mountain pasture, feasting on wild violets and flavorful thyme, grasses that help produce the milk that goes into one of France's finest cheeses. And for those 100 to 110 days each year the montagnards live with them, up at 3-30 A.M. for the morning milking, then to make the giant wheels of cheese, and to repeat it all once more before the sun sets.

LATER, the 60-kilogram (132-pound) cylinders of Beaufort will be transported to the cooperative in town, where the cheese will rest not for days or months, but up to three years. The wheels will be rubbed with salt every three days, turned twice weekly, resting on dry pine planks at 11 degrees Centigrade (about 52 Fahrenheit). At its finest, the Beaufort will taste faintly of hazelnuts, of fruit and fresh mountain flowers. There will be no holes, just fissures, and on the tongue it will break cleanly and clearly, with a pleasantly grainy texture.

Beaufort is also a rare cheese, representing only 1 percent of all French Gruyère. Each year, France produces some 190,000 tons of Emmentaler, but only 2,500 tons of Beaufort. (Unlike Switzerland, whose Gru-

yère valley is the source of the name, in France Gruyère is a generic name applied to a family of cheeses including Emmentaler and Beaufort.)

By 7 A.M. of the 110th day, the descent begins, and we move off in compact groups, three or so farmers with every 20 or so cows. For most, the walk will take the better part of the day, covering 25 to 30 kilometers of descent from fog into brilliant sunshine, the deep navy-hued mountains to our back. Through pine forests and across raging mountain streams, we pass patches of wild myrtilles, or blackberries, examine the debris that remains from a pack of wild boar, step upon tender clumps of the bitter, wild dandelion greens that grow in abundance.

At times the paths are ready-made and we move with ease. Then suddenly there is no path at all, and we stumble along at a gait that is more a run than a ramble. Who is leading whom, one wonders, as the cows eagerly beat a path back home.

By 9 A.M. we begin to shed layers of clothing as the sun burns off the fog, and in a pasture dappled with tiny purple crocuses we stop for a multicourse communal snack. Out of worn leather backpacks come bottles of white wine and red, thin wands of homemade pork sausage and slices of

mountain ham and Beaufort d'alpage, wrapped in yellowing newsprint, baguettes and pain de campagne, uns of poté and bars of bitter-sweet chocolate. The farmers, young and old, male and female, chat away, tossing snacks to the family dog that has come to shepherd us.

THROUGHOUT the day, conversations stop and start, cut short by a wandering cow, a thirst-quenching stop in a village, a moment to admire a well-built community bread oven.

The setting is calm and bucolic, but there is an uncomfortable undercurrent. The communal mood, the thoughts expressed and unexpressed are those of discontent, confusion, even betrayal.

André Roux-Daigüe, the small, dark-eyed farmer who has brought us to this mountain, is typical of many 20th-century farmers caught in a squeeze of generations, of conflicting values, lifestyles and goals.

The problems are many. For his father's generation, arguments still revolve around the question of artificial insemination of the family cows, the worthlessness of daylight saving time, and the dangers of mechanical milking machines, issues most city folk thought were solved decades ago.

While the young Savoyard farmers try to defend their newfangled ways to their fathers—mechanical milking machines were brought to the mountain pastures this summer, and bottled gas, not pine logs, is used to heat the copper cheesemaking caldron—they are struggling with even more basic issues of survival.

Quite simply, no one wants to do this work anymore. Offers of free schooling for young men who want to learn cheesemaking go begging. The long days and remote life of the montagnard no longer appeal to youngsters who reject the lifestyle as archaic and who would frankly rather be skiing. Up on the Versant du Soleil this summer, one cheesemaker came from North Africa, and in the valleys below the farm hands come from Portugal. What do these men, say the locals, know about our Savoyard tradition?

And now the government, in the name of the European Community, is beginning to talk of quotas. Meaning if you want to make more money by increasing your herd or boosting milk production, you are simply not allowed to.

"Too much milk! Too much milk! That's all we have," cries André Roux-Daigüe, angered at the thought that the rich, golden raw mountain milk produced by his prized

Tarines is compared to the thin, watery liquid of the black and white Holsteins that are beginning to show up in Savoy mountains.

"They're not cows, they're milk machines. Besides, they're foreign," he sighs in disgust, repeating the rural French adage "Il faut chauffer du bois du pays," use local wood to keep the fires going.

WHILE his father's generation saw the battle as their region against the lowlanders in Paris, the young men now see the enemy as farmers in Germany and Spain.

Like his neighbors, Roux-Daigüe practices mixed farming: Orchards of apples and walnuts supply a portion of the family income, while in the winter months his mother continues to make, twice a day, the small rounds of fromage de Savoie that age in their cellar. This year their summer mountain Beaufort, aged at the cooperative, sold so rapidly there is none left on the shelves.

Although one part of him wants to continue the quiet rural lifestyle of his parents, another part looks toward the growing tourism of the region. A cheese boutique, a snack shop for skiers, a roadside crêperie are on his mind.

The transhumance continues, moving into the valley, passing rich vegetable gardens with winter leeks and cabbage, bright orange pumpkins, and rows of tender greens. We hike to a symphonic clang-clang of cow bells, stop traffic in the town of Moirans and move back up the other side of the valley toward home, the cows stopping to grab the ripe reinette apples off the trees and search for wild flowers in patches of pasture. Along the way, a slim young woman in a bright red car stops to let the cows pass. In her back seat is a six-pack of low-fat milk—the kind with a 100-day shelf life. The contrast, and irony, do not go unnoticed.

André Roux-Daigüe, "Les Empires," 73260 Aiguebelle; tel: 79.24.23.25. At the farm, for Beaufort and farm-made fromage de Savoie.

Coopérative Laitière du Beaufort, 73270 Beaufort-sur-Doron; tel: 79.38.33.62. Beaufort sold at the cooperative. Will ship in France.

Coopérative Affinage Beaufort, Avenue de Tarentaise, 73210 Aime; tel: 79.55.61.68. Beaufort sold at the cooperative. Will ship in France.

Priority to the cows in the Savoie.

TRAVEL

THE FREQUENT TRAVELER

A Few Nasty Surprises
In Rental Car Insurance

by Betsy Wade

NEW YORK — On March 6, Michael Weiner, a 21-year-old Columbia engineering student, went to Florida for a vacation and rented a car there. His father, Frank J. Weiner, a lawyer in Boston, had selected Value Rent-A-Car for Michael because it was then offering a rate of \$129 a week, with payment for the collision damage waiver included. The collision damage waiver, usually with an extra cost of perhaps \$9 a day, is not insurance, all rental companies insist, but merely waives their right to recover from the renter the cost of any collision repairs.

On March 12, as Michael was making a right turn in Boca Raton, his rented car struck a lamppost. He was cited on the spot by a deputy sheriff of Palm Beach County for careless driving and paid a \$50 fine. The car was towed and Michael did not see it again. After he went back to school he took an approved driver education course in lieu of returning for trial, his father says, and the authorities in Florida reported that "adjudication was withheld" on the citation. His son is neither guilty nor not guilty.

Before this, however, Value declared that the automobile had been operated in a "careless" manner, a condition that the Value contract says will void the collision damage waiver. Value refused to pay for the damage. Despite protests from Michael's father and the Weiner's insurance broker, Murray Liverman of Chestnut Hill, Massachusetts, their insurance company, Travelers, paid Value the \$4,331.58 that it demanded, mostly for a long list of repairs but including \$384.31 for "loss of use" of the car.

One result is that the Weiner family's auto insurance costs will rise at least \$50 a year because of payment of a claim larger than \$500. In addition, Liverman says, the policy's safe-driving rating has been lost, and this will further raise the premiums. Had Value paid, the carrier would not have raised the premium on either count, he said.

Frank Weiner said he always takes the collision damage waiver anyway, because he has encountered rental outlets that otherwise put a charge for a deposit of several hundred dollars on his credit card. In addition, he lives in Massachusetts and the insurance commissioner there issued a pertinent, and unusual, interpretation in November 1986. This held that automobile insurance policies written in the state did not provide comprehensive coverage — coverage for loss by theft, fire or vandalism — for a rental auto unless it was being rented as a substitute while the owned car was inoperable.

In short, Weiner had intended to buy the waiver for his son's rental, and selected Value because it was providing this coverage for the basic rental price. After the accident, Value declared its waiver void under its own contract terms, and the insurance company ended up paying a large amount although it never got a chance to see the auto or to defend its client in any legal proceeding.

Weiner has complained to Value and its lawyer and to the Florida Department of Agriculture and Consumer Affairs. His anger is mainly aimed at Value's unilaterally declaring that his son drove carelessly, although no court has ruled.

Liverman says he fears other rental companies will soon include the word "careless" in addition to the more usual "negligent," "abusive," "reckless" or "wanton" as descriptions of driving that void their waivers. If that happens, Liverman wrote, "it will become virtually impossible for them to be responsible for damage to their vehicle."

If insurance companies end up with the

burden anyway, they can be expected to be hostile to the rental companies' selling coverage at an unregulated daily rate: two years ago it was estimated that, if all renters bought the waiver, it was worth more than \$1 billion a year to the companies. But the insurance companies' distaste may go further. One insurance broker in Florida, not connected with this case, said that, if his company must end up with the responsibility anyway, he'd prefer to get it in the beginning, because at least the company would get a prompt call and "we can get a look and an estimate."

On another aspect of the issue of responsibility, Value's contract says that tires and glass are not covered by the collision damage waiver in any case. This exemption is not common, but may be spreading. J. Russell King, an editor for The New York Times, rented a Budget auto at the airport in Portland, Maine, last spring. It developed a flat tire an hour after he left the airport, and when he called Budget, he said, he quickly received a replacement auto. When he returned the car a charge for \$87.45 for a new tire was included on his account. The counter agent pointed to a stamped notice on the counter copy of the contract saying that glass and tires were not covered. This notice did not appear on the client's copy.

After letters to the Portland Budget franchise, its parent company and his credit card company, King got the tire charge wiped out. Getting an overcharge removed can be tedious. A woman who rented a car for a month from Alamo in Tucson, Arizona, in February at first accepted the collision damage waiver, but then called her insurance agent, who told her she was covered and did not need it. She returned to the rental office to amend the paperwork, and after what she describes as a hard sell had the option eliminated from her agreement. The charge for the waiver was put on her credit card anyway and not corrected until the following month.

At a September meeting of state insurance commissioners in Pittsburgh, the commissioners' counsel, in a closed meeting, discussed the recurring question of regulating the sale of the collision damage waiver. The situation is alive in New York. Martin Minkowitz, deputy superintendent and general counsel in the New York State Insurance Department, says that in January the state attorney general declared the sale of the waivers to be "the doing of insurance," which could be regulated. The major auto rental agencies went to court to prevent this. The department sought a dismissal of the case but failed, Minkowitz says, so the matter is now being fought out.

Thomas A. Dickerson, a New York lawyer who specializes in class action cases in travel law, says many of the provisions of auto rental agreements are "unconscionable," meaning that they would shock a court. "Unconscionable," he said, is a pivotal concept in consumer-protection laws.

He is not a fan of the rental companies. "In essence," he said, "they terrorize consumers with visions of dire consequences unless they pay unnecessary fees which guarantee that rental car companies will not enforce legally unenforceable clauses."

However, he concedes that it takes some doing to go to another state and fight a case. Short of state regulation, he said, the only likely course is going to court under a state's consumer protection act, charging fraudulent, deceptive actions and false advertising and seeking treble damages plus lawyer's fees. Those damages, he said, might justify the trouble.

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Baffin: The Last Northern Frontier

by David Leitch

IT BECAME clear soon after takeoff from Ottawa that we were heading for a Last Frontier when two men in lumberjack shirts sitting across the aisle ordered steak and eggs washed down with Wild Turkey for breakfast.

Our journey was about 1,200 miles (almost 2,000 kilometers) north to Iqaluit, rechristened Iqaluit last January as part of the same policy that has replaced the (supposedly pejorative) word "Eskimo" by "Inuit." Iqaluit, which means "many fish," is the gateway to Canada's eastern Arctic and the principal community of Baffin Island. As we descended flying low along the narrowing funnel of Frobisher Bay the landscape was suddenly revealed as startlingly barren and as alien as those first 1960s close-ups of the moon surface.

We had long passed the tree line, hidden beneath the cumulus. Now you could see the white caps of baby icebergs; hillocks tipped with snow that evidently never melted, even in August; the barest bare rock on the shoreline with no softening trace of any shrub. It is not a hospitable landscape but there is something beautiful about it, and scary.

You could make no aesthetic claims for Iqaluit, a prefabricated and provisional looking community that nonetheless turned out to epitomize several Inuit characteristics, notably an advanced capacity for adapting to a hard environment.

Its other yellow air terminal, completed in 1986 in a style recalling the Pompidou Center in Paris, serves as a surprisingly efficient gateway to the Baffin region and the eastern Arctic.

It is a company town for federal and territorial government as well as a transportation center. The population is on the increase — it's 3,500 today, compared with 2,100 in the 1981 census.

ALL the same, along the main strip you can find three hotels, five restaurants, a bank, a medical center, a radio station, and a drugstore run by an Egyptian called Nader Barsoun, who gets into trouble periodically for making controversial statements to the local paper, the Nunatsiut News, which publishes both in English and the eastern Arctic language, Inuktitut.

Apart from the airport, the most striking buildings are the recently constructed Baffin Correctional Center and St. Jude's Anglican Cathedral, built in a kind of modified igloo genre. The cathedral is arguably the only one extant containing a piece of silver donated by the Queen of England and an altar incorporating matched seal skins and narwhal tusks.

When I arrived the prison was still in a state of low-key emergency provoked by what was variously described as a mutiny, a minor disturbance or an act of collective vandalism. There was no argument, however, about the reason for the short-lived unrest. The inmates had staged a protest and smashed a window late the previous Friday night because they wanted to be let out to complete a soccer match.

Since August is still a season of near perpetual daylight their restlessness was understandable — during the short season of high summer even many non-native inhabitants of the Northwest Territories find themselves reducing their sleep to a very few hours without detectable physical consequences.

HOWEVER, working hours still of necessity conform to the day-night patterns of the southern countries and the Inuit, in common with the Lapps in Scandinavia, have in recent years been under pressure to rearrange their own schedules to follow the same pattern.

(They find it hard, and "bad time-keeping" is one of the most common complaints heard about the Inuit in the work force.)



There's not much of the traditional life left.

About two-thirds of Iqaluit's population are Inuit and all but a handful live in co-op housing developments. The days of nomadic life dictated by the seasonal habits of Arctic wildlife are gone, but by no means so long gone that they do not survive in the memories of those of middle age, often via accounts heard from parents or grandparents.

Until 1939, when a court decision ruled that they were a federal responsibility, the Inuit, unlike the Indians, were largely ignored by the government. They are accordingly still experiencing a period of astonishing transition. It is observable in Iqaluit in a peculiarly raw form.

A few hundred yards along the causeway from the airport, where young Inuit are listening to Madonna on their Walkmen, Henry Evaluardjuk, his wife and baby are living peacefully in their tent.

You can hike on for an hour and experience the summer tundra, where dozens of lichens and mosses somehow flourish out of the permafrost, along with sorrel, saxifrage and willow-herbs with the extraordinary red pigmentation that absorbs maximum heat and ubiquitous puff-balls of arctic cotton which by August are starting to fade.

YOU can take a boat ride to the Quanaasavut park across the sound and visit remains of the Thule civilization. If you can spare a day, go down to the harbor by boat to see seals, migrating birds and, if you are exceptionally lucky, a beluga whale.

Fish, particularly the salmon-like Arctic char, seal, caribou and musk-ox, all of which are on the menu in Iqaluit's restaurants, still form an important part of the local diet. Although the process is increasingly expensive

those Inuit who have not lost their skill will still be harvesting them — and combining their harvest with TV dinners and junk food sold in the local supermarkets.

Iqaluit is the most developed of the dozen or so readily accessible Baffin Island communities.

Pangnirtung is 35 minutes away by air and just 25 miles below the Arctic Circle. This hamlet with a population of 1,100 quickly makes Iqaluit seem like a metropolis. It is the center for the extraordinary wilderness of Auyuittuq National Park, and a reasonably determined hiker can actually cross the circle on foot, thus qualifying for a handsome Order of Arctic Adventurers certificate.

At nearby Kekerten you can view remains from the whaling era, and there is another smaller community at Broughton Island at the eastern end of the park, close by the icebergs of Davis Strait, an area that claims the best game-fishing in the world.

Cape Dorset with its quarries has the most celebrated soapstone carvers, while Pond Inlet is wonderfully placed on Eclipse Sound on northeast Baffin, with glacier scenery 18 miles across the water on Bylot Island, and a mean July temperature of 47.3 Fahrenheit (8.5 centigrade), which the 800 local residents, 97 percent of whom are Inuit, regard as virtually tropical.

THERE are three weekly flights "from the south," by which they mean temperate Iqaluit, and an annual seallift from Montreal "in August, or when ice conditions permit."

Pond has a fine hotel, the Saumiq, with breakfast much in evidence, and a helpful pamphlet reminding visitors that "although polar bear seldom regards man a potential source of food, they are not afraid of him."



This is a community that enforces prohibition very strictly, and abhors what J.A. Huestis, a former sheep farmer from southern Nova Scotia who runs economic development, calls "non-benign tourism." However, by arrangement with an operator called Canada North Outfitters in Waterdown, Ontario, it is possible to arrange trips with a guide called Elijah Erkkio, one of a group of Pond residents with the distinction until early this year of being portrayed, grasping a kayak paddle, on the back of the Canadian \$2 bill.

Last summer in Pond they were somewhat taken back to be visited by a New York corporation lawyer who stayed for a week-end and photographed narwhals and bowhead whales before returning home to collect a change of clothes and fly by Concord to Heathrow to catch the Wimbledon final.

It is hard to believe that this last North American frontier will last very long.

David Leitch, formerly a correspondent for The Sunday Times of London, is the author of "God Stand Up for the Bastards" and "Family Secrets."

Europe in Scaffolds Visiting Geneva? You Can Commute to France

by Thomas Netter

Continued from page 7

tural supports and tubes, is nothing so much as a celebration of our instinct to surround ourselves with scaffolding — scaffolding in its most fulfurling, sweeping and slashing across an otherwise humdrum facade.

But these are merely surface linkages; going just a wisp deeper, it becomes evident that scaffolds are handsome objectifications of much that is central to Western thought. They represent a view of history that is both progressive and conservative. Scaffolds proclaim that good work effectively planned can significantly enhance social existence, that life can be made better — more beautiful, safer from falling masonry — through human industry. And they also put forth the comforting notion that the past is retrievable, and, ultimately, worth retrieving. Our heritage can be our inspiration, scaffolds affirm; the future will be richer in the presence

of the achievements of antiquity. A return — to innocence, to excellence — is possible, through the agency of fearlessly modern scaffolding — scaffolding in its most fulfurling, sweeping and slashing across an otherwise humdrum facade.

And scaffolds, too, are eloquent symbols of human compassion — for what is their gentle clutch of plastics and metals, wrenching an enfeebled edifice, if not a steadfast and nurturing embrace?

For the traveler, however, scaffolding fulfills another, perhaps more pragmatic function. In slyly concealing arbitrary corners and features, scaffolds foster an air of mystery and mystique. The setting is put into a kind of selective soft focus. Scaffolding hints at the existence of hidden treasures, of gemstones so precious that they must be masked until cut into finest form. And in so doing, scaffolds hold their richest reward for the wanderer — as a silent incentive to return, an unspoken appeal to come back and see what a civilization values so highly that it must remain painstakingly veiled until its every blemish has been healed, its last layer of airborne pollutants pried away.

Steve Schneider wrote this for The New York Times.

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istic limits are allowed, or a place to shop for French wines and foods, or eat French meals, either unavailable or prohibitively expensive inside Switzerland's borders.

For those interested in a visit to a typically French provincial village, all that is necessary is to drive through a tunnel under Geneva's Cointrin International Airport to Ferney-Voltaire. This is where Voltaire fled the dour Calvinist city, which he called "the city that never smiles," so that he could continue to write and create in peace. The philosopher-author spent the last 18 years of his life in Ferney, giving it nominal literary fame by adding his name in a marriage of (his own) convenience.

TODAY, Ferney is a town of 6,000, many of them international civil servants working for the United Nations or its specialized agencies in Geneva. Many Genevois, showing an increasing tendency to smile like a shop there, especially on a Saturday morning when the town's main street, appropriately named the Avenue de Genève, is transformed into a typical French country market. Farmers and vendors from the outskirts erect market stalls bulging with dried meats, hams, sausages, French Brje or firm, white chèvres, dark olives and confits. The melange of fresh food that is often unavailable in Geneva and sold at one third to one half the price, blends with the delightfully bracing aromas of Arabica coffee and Pernod coming from the raucous cafés to erase all remnants of the big, cold Swiss town nearby.

Nine kilometers east lies the town of Divonne, of somewhat different appeal to the excitement seekers who would trade a food market for a chance at the fates. The resort boasts the second largest casino in France (frowned by Swiss and Swiss-visitors' purses, to be sure) where "rien ne va plus" goes on from 3 P.M. each day. Since the highest legal bet in Geneva is 5 Swiss francs (about \$3.40), anyone wanting a riskier exposure need only make the short trip to Divonne's elegant casino.

The town has some very good hotels and restaurants. Les Grands Hôtels is situated in an old park and has 135 rooms ranging in price from about 470 to 1,000 French francs (about \$78 to \$165). From its terrace, one can see across Switzerland to the French side of Lake Geneva and Mont Blanc.

A place farther into the French Jura where one can forget the bright lights of the big city is the isolated Auberge des Chasseurs in Echenevex, outside Gex, 30 minutes away. The auberge provides charming rooms for 150 to 300 French francs, a price that only the poorest of Geneva hotels could hope to match, a swimming pool and a splendid view of the Alps.

But perhaps the most charming of France Voisine's villages is Yvoire. Either by boat from the Quai de Mont Blanc in Geneva during the summer, or by car throughout the year, Yvoire is a medieval village, surrounded by high stone masonry on three sides and Lake Geneva on the fourth. The most outside the 14th century gate built by Count Amadeus of Savoy is gone, but inside is a village of 350 people, flowered windows and open stalls almost completely turned over to tourists in the summer and steeped in a misty, melancholic mystery for the rest of the year.

Yvoire is completely medieval French provincial, a treat for the Francophile's escapist fantasies nurtured in the unforgivingly dour shadows of Geneva's towers and well-swept, expensive but sterile streets. Yvoire's car-free, cobblestoned streets and arched, cavernous restaurants are far from the traffic-jammed, busting, computer-whirring capital of finance and international policy that is Geneva. One can only read from the historical plaques at the gates of Yvoire how the Viscount of Savoy repelled the Swiss Bernese attackers and utter a sigh of relief.

Thomas Netter, a journalist based in Geneva, is joining WHO.



The church and town square in Yvoire.

Thomas Netter

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FRIDAY, OCTOBER 23, 1987

ECONOMIC SCENE

'Pigs Gorging at the Trough' —And Other Drucker-isms

By JONATHAN PETERSON
Los Angeles Times Service

CLAREMONT, California — To Peter F. Drucker, the celebrated observer of corporate America, Wall Street traders are like "Balkan peasants stealing each other's sheep" whose lack of restraint made the recent stock market plunge inevitable.

"I expected it somewhat earlier," he says. "and not for economic reasons — but for aesthetic and moral reasons. The last two years were just too disgusting a spectacle. Pigs gorging themselves at the trough are always a disgusting spectacle, and you know it won't last long."

Mr. Drucker is a professor at Claremont Graduate School and is viewed as a luminous intellect and a pioneer in the study of modern management. At 77, he wears two hearing aids but appears vigorous, and just returned from a trip to China. He has written more than 22 books, mostly about how companies should be led and run.

He made his comments on Wednesday, the same day that Claremont dedicated its graduate management programs in his name. He plays down his knowledge of the stock market, but makes clear that he has strong convictions about it, nonetheless.

"With this kind of behavior you need almost nothing to set off a panic," he says, "especially if nobody in the [Wall Street] crowd uses what he has between his ears — if they have anything."

A former securities analyst himself — the Vienna native worked as a young man in London and Frankfurt — Mr. Drucker describes Wall Street brokers as "a totally non-productive crowd which just is out for a lot of easy money. When you reach the point where traders make more money than investors, you know it's not going to last."

He stresses two points in particular: that any speculative bubble must burst, and that the experience of many youthful brokers has been an important factor in the recently unstable market.

"The average duration of a soap bubble is known — it's about 16 seconds," Mr. Drucker says. "Then the surface tension becomes too great and it begins to burst. For speculative crazes, it's about 18 months."

THE RECENT bull market lasted five years. To many observers, however, the speedy appreciation of stock values during the last two years had seemed out of line with economic fundamentals, therefore threatening a collapse.

The bubble had to burst, Mr. Drucker says, "partly because there is no foundation there, partly because there is no thinking here, and partly because their horizon has become the next 10 minutes. And then anybody who cries 'fire' sets off a panic. You don't even have to cry 'fire.' If somebody leaves the house, they — traders — suspect there is a fire."

Mr. Drucker pioneered modern corporate analysis with his book "Concept of the Corporation," published in 1946, which focused on General Motors Corp. During his lengthy career, he has worked as a newspaper reporter, banker, writer, consultant and teacher. He joined the Claremont graduate faculty 17 years ago, and has taught about oriental art at the undergraduate level.

He speaks critically yet sympathetically about the many young rosters who profited mightily from the market, but who had no experience to guide them through the recent financial tempest.

"When you look at who dominates the scene, they are mostly people who weren't there five years ago — and have absolutely no judgment," he notes that they "keep endless hours, but that is not the same thing as doing any thinking or doing any work."

The scene is dominated by young people who have absolutely no judgment.

Herald Tribune BUSINESS/FINANCE

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Bloody and Broken: Traders Battered Senseless by the Bear

By Debra Whitefield
and Eileen V. Quigley
Los Angeles Times Service

NEW YORK — At Bateman Eichler Hill Richards in Los Angeles, young brokers were so shocked by the stock market turmoil that "they're frozen; they can't do their jobs," said Thomas Adkins, an executive vice president. He has spent much of the last few days "giving them a lot of couch time to talk them through it."

In Philadelphia, a veteran broker said he was "flurried, deeply" and "seriously considering" throwing in the towel. He urged a reluctant client to buy stock options, and the client lost so much money this week that he has put his house up for sale in order to pay off the losses.

And in Birmingham, Michigan, a broker said he was so paralyzed by the market crash on Monday that he was incapable of getting up for work on Tuesday.

The fear and panic that have gripped Wall Street this week are taking their toll on emotions just as surely as on pocketbooks. Even veteran brokers and traders are tired and frazzled, and many newcomers to the financial markets are seized, distraught, even immobilized.

"I am seeing some very battered brokers," a veteran stock market analyst said. "We have yet to fully evaluate the emotional trauma and the anxieties this market has brought on."

Psychologists are not surprised. "Often the response is paralytic," said Judy G. Barber, a psychotherapist in San Francisco who specializes in the psychology of money. "I think people are really fearful and confused, and it's preventing them from making decisions."

Brokerage executives are so concerned about the Wall Street equivalent of stage fright that they are offering psychological counseling, meeting frequently with new recruits, setting up buddy systems between veterans and newcomers, and leading impromptu cheerleading sessions over their nationwide internal broadcasting networks, better known as squawk boxes.

At Butcher & Singer, a regional brokerage in Philadelphia whose executives normally speak to employees via the squawk box twice daily, there are now pep talks every hour. And at Prudential-Bache, the chief executive, George L. Ball, and other top officials have been reassigning employees on the squawk box virtually around the clock.

"I was feeling a little unmotivated" after two clients suffered big losses and pulled their accounts, said John McCargan, a broker for three years in the Prudential-Bache office in Long Beach, California.

"But then some of the veterans in this office who have been through bears before started talking to us about how to handle it," he said, "and our managers started giving

See TOLL, Page 15



A trader keeps a weary eye on the New York stock ticker.

Testing Limits in London, Frankfurt

By Warren Getler
and Ferdinand Protzman
International Herald Tribune

The wild gyrations in share prices have left stockbrokers and traders in London and Frankfurt with a severe case of market whiplash.

In the equity-trading room of Phillips & Drew, one of the top London-based brokerage firms, faces on Thursday were drawn.

"We're a bit shell-shocked," said Paul Wedge, a 32-year-old trader. "We've never seen wild swings of 200 points on the share index in a single day; prior to this week, the norm had been moves of about 25 points on the day."

"It's really not a sustainable situation," he said. "Most people have been working far too long this week; it's begun to affect their personal lives, and it will begin to affect business."

In Frankfurt, the story was much the same. Although the Frankfurt Stock Exchange, West Germany's largest, has not experienced the magnitude of frenzy seen on Wall Street or in Tokyo, the market collapse on Monday and the violent price swings of the last three days have frayed brokers' nerves and pushed the exchange's computer system close to its limits, market participants said.

"There really is nothing in my career to compare this with," said a senior broker for a major German bank. "The tension is both mental and physical."

For Nick Evans, 24, a "market maker" for Phillips & Drew, this has been his first bear market. But he said he has found the strain "perceptibly enjoyable" — it's a test of character.

With record trading volumes in London — above 1 billion shares a day, compared with a daily average over the last year of around 800 million — there was concern that the exchange's computer system would become overloaded. In fact, the

automated trading system broke down for two hours on Wednesday.

The computer system on the Frankfurt exchange was also pressed to keep up with the volume of business, brokers said.

"With everyone putting orders into it as fast as they could," a German said, "there were delays, but nothing very severe. It's not nearly as tough on the machines as it has been on the people. Everyone is exhausted. People's nerves have been worn very thin."

"It's been insane," said a broker for another German bank. "No one has been carried off the trading floor like in New York, but the stress level has been very high. Some colleagues who quit smoking cigarettes are smoking like crazy now."

The effects of the stress is very difficult to quantify, according to psychologists.

"The reactions have probably covered the entire spectrum of stress reactions," said Horst Mayer, who heads the stress research institute at Heidelberg University. "This range from heart attack and catatonia to being slightly irritable at home. Stress hits every individual differently."

In the current market situation, Mr. Mayer said, the reaction would most likely be one of two extremes. Market participants either become "hyper," he said, feeling a surge of energy that makes them feel they can overcome any problems, or they could react defensively, with their blood pressure and blood sugar levels declining, leaving them feeling weak and unable to cope.

While the markets remained violently erratic on Thursday, the atmosphere at Phillips & Drew in London was subdued. "After the violent swings that we've seen in the market this week thus far," said Geoffrey Redmann-Brown, a director there, "what further emotion can you throw at the situation to let off steam?"

NYSE Floor Specialists Take Huge Losses — Up to \$750 Million

By Robert J. Cole
New York Times Service

NEW YORK — All 52 specialist firms on the floor of the New York Stock Exchange lost money during the extreme sell-off on Monday and Tuesday, possibly as much as \$750 million, trying to maintain an orderly market, according to John J. Phelan Jr., chairman of the exchange.

After the Dow Jones industrial average had advanced 185.84 points on Wednesday, he added, "I think the losses were probably out in half today."

One firm alone lost \$40 million, he said, the biggest individual loss. Specialists are traders or firms who specialize in one group of stocks, not necessarily within the same industrial sector.

Another firm, A.B. Tompaine & Co., which was understood to have lost as much as \$20 million, was forced to merge with Merrill Lynch & Co. The takeover of Tompaine, which handles such stocks as USX, Royal Dutch Petroleum and Sterling Drug, would give Merrill a specialist's role for the first time.

Three other firms, Mr. Phelan said, lost so much money that they had to arrange bank financing for additional capital.

Mr. Phelan declined to identify any of those firms by name or to estimate total losses. But he said that the average loss approached \$10 million to \$15 million, thus placing overall losses as high as \$750 million.

As for Tompaine, Mr. Phelan said: "One of

the reasons for their losses was that they performed so well. They provided more liquidity to the market than they should have."

Leading Wall Street houses and officials whose companies' stock is traded on the NYSE gave the specialists exceptionally high marks.

"I don't think they're the people to drag out and shoot," said Joseph S. DiMarzio, president of Dreyfus Corp., a mutual fund.

'One of the reasons for Tompaine's losses was that they performed so well. They provided more liquidity to the market than they should have.'

— John J. Phelan Jr.,
NYSE chairman

giant with \$40 billion under management. "I don't know who's at fault, but it's somewhere else."

Speaking specifically of the trading floor specialist who handles Dreyfus stock, which fell \$8.625 a share on Monday, he said: "The specialist system isn't perfect, but given what happened, they did the right thing."

Another firm, T. Burns & McDonnell, head of First Boston Corp., said, "Based on what I know, I think they did fine. When you have forces that big, you can't expect them to be the final line of defense."

Asked whether he had received phone calls from any executives complaining that he had fouled up, Robert W. Keating Jr., a highly regarded specialist, whose 35 stocks include Exxon, Toys 'R Us and BellSouth, replied, "We didn't foul up."

Observing that the New York exchange was ready at all times to buy or sell when other exchanges were barely visible, he said, "We have an intermarket trading system that links all the regional exchanges, but I haven't

because, as one put it, 'They were afraid.'

Asked whether the specialist system may have somehow failed to work well, Donald Stone, vice chairman of the exchange and a senior partner of Lasker, Stone & Stern, a leading specialist firm, said: "That's absolutely untrue, unfair and inaccurate. The exchange's specialist system never worked more effectively than during the crash. This was the only market in the country where there was an opportunity to set securities."

"I was in combat during World War II," he said, "and the feeling you had in your stomach was the same as when you were under fire, except here you didn't risk your life — just all your assets." On Monday, he said, he traded more than a million shares of Johnson & Johnson, and on Tuesday another 1.2 million shares, committing some \$75 million in just that stock.

Mr. Phelan, stressing the importance of keeping the market open so that people could buy and sell, said, "Had you shut down, it would look like the entire financial mechanism had been paralyzed and couldn't deal with the problem. By staying open, it gave people confidence that the system was functioning and at some point would stabilize and recover."

As part of the gallows humor, orange buttons saying "Don't Panic!" showed up Wednesday all over the stock exchange, particularly on the trading floor. Federal Express was giving them out at storefront locations as a promotion.

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Also helping to balance the books will be this year's earnings, which Mr. Bessy said could be "up to 3 billion francs."

Raymond Lévy, Renault's chairman, earlier had predicted earnings of around 1 billion francs.

The company also will take advantage of some accounting measures that will add 1.4 billion francs to the assets column.

Meanwhile, the proposal to erase the loans from the government's books was received only this week by the EC Commission.

The commission generally has disapproved of state aid to national companies when it was likely to hurt competitors within the EC.

Leading Banks Call in Loans To Stockbrokers

New York Times Service

NEW YORK — Leading commercial banks have been calling in loans made to stockbrokers or demanding more collateral after Monday's 508-point market decline.

But if some loans have appeared shaky, many of the banks have also benefited from the Wall Street jitters, as tens of millions of dollars have begun flowing into insured certificates of deposit.

That might mean lower bank costs and a boon to profitability.

There were indications Wednesday that banks would seek to capitalize on investors' nervousness by promoting their own relative safety. Chemical Bank, for example, said that it planned newspaper ads featuring a bear and text saying, "Chemical Bank — For People Who Are Finding the Market Unbearable."

But while banks should have no problems gathering funds, consumers will end by earning less, as interest rates are almost certain expected to fall.

The EC spokeswoman acknowledged that this promise could help the government's argument, but she added, "Whenever we approve aid, it's with the thought that it will be the last time."

The Confédération Générale du Travail, the dominant union at Renault, is protesting the proposal to change the company's legal status.

Andre Sainjon, president of the CGT metalworkers union, called the proposal "shocking," and said that if enacted, it will "put Renault on the road to privatization."

The government has denied having any intentions of selling the company to private investors in the near term, but Mr. Madelin has often repeated that "it's not the state's vocation to make cars."

Interest Rates

Eurocurrency Deposits				Oct. 22			
	Dollar	D-Mark	Swiss	30-day	60-day	90-day	120-day
1 month	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4
3 months	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4
6 months	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4
1 year	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4

Source: Morgan Guaranty (dollar, D-M, SF, Pound, FF); Lloyds Bank (ECU); Reuters (SFR). Rates applicable to interbank deposits of \$1 million (minimum for overnight).

Key Money Rates				Oct. 22			
	Close	Prev.		Close	Prev.		Close
Discount rate	9 1/4	9 1/4		9 1/4	9 1/4		9 1/4
Prime rate	9 1/4	9 1/4		9 1/4	9 1/4		9 1/4
Federal funds	7 1/4	7 1/4		7 1/4	7 1/4		7 1/4
90-day T-bill	7 1/4	7 1/4		7 1/4	7 1/4		7 1/4
1-year T-bill	7 1/4	7 1/4		7 1/4	7 1/4		7 1/4
3-month Treasury bill	7 1/4	7 1/4		7 1/4	7 1/4		7 1/4
6-month Treasury bill	7 1/4	7 1/4		7 1/4	7 1/4		7 1/4
1-year Treasury bill	7 1/4	7 1/4		7 1/4	7 1/4		7 1/4

Source: Reuters, Bank of Tokyo, Citicorp, Credit Lyonnais.

Asian Dollar Deposits				Oct. 22			
	1 month	3 months	6 months	1 year	1 month	3 months	6 months
1 month	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4
3 months	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4
6 months	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4
1 year	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4

Source: Reuters.

U.S. Money Market Funds				Oct. 22			
	Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets	Net Assets
Mutual Shares	471	471	0	471	471	0	471
10-day T-bill	471	471	0	471	471	0	471
3-month T-bill	471	471	0	471	471	0	471
6-month T-bill	471	471	0	471	471	0	471
1-year T-bill	471	471	0	471	471	0	471

Source: Merrill Lynch, Pierce, Fenner & Smith.

Gold				Oct. 22			
	A.M.	P.M.	Close	A.M.	P.M.	Close	Change
Gold	407.75	407.75	407.75	407.75	407.75	407.75	+0.25
10-day T-bill	407.75	407.75	407.75	407.75	407.75	407.75	+0.25
3-month T-bill	407.75	407.75	407.75	407.75	407.75	407.75	+0.25
6-month T-bill	407.75	407.75	407.75	407.75	407.75	407.75	+0.25
1-year T-bill	407.75	407.75	407.75	407.75	407.75	407.75	+0.25

Source: Reuters, Bank of Tokyo, Citicorp, Credit Lyonnais.

Fermenta Cancels Plans To Sell Some Units to TRI

Reuters

STOCKHOLM — Fermenta AB, the financially troubled Swedish biotechnology company, said Thursday that it had called off plans to sell parts of its overseas operations to Trans Resources Inc., a private U.S. fertilizer and chemicals group.

Fermenta said the decision to cancel the transaction, originally valued at 1.4 billion kronor (\$218 million), was partly due to "developments on the U.S. financial markets."

TRI had sought Fermenta's 60 percent stake in the Italian pharmaceutical group Pirelli SpA and SDS Biotech in the United States.

Bertil Holmberg, Fermenta's managing director, said, "We pulled out because the deal turned out to be less advantageous for us than we hoped."

Mr. Holmberg said Fermenta, which has debts totaling about 3.5 billion kronor, was no longer in desperate need of funds because of its agreement, announced last week, to sell three foreign subsidiaries to Burns, Philp & Co. of Australia for about 600 million kronor.

"We are doing well just now. We don't need to sell in a panic," he said.

TRI, whose main business is extracting chemicals from the Dead Sea, abandoned a 1.36 billion bid for Fermenta in late August after some Swedish banks with loans to Fermenta objected to TRI's proposals for paying off the loans.

Then, in September, it was reported that TRI and Fermenta were working on an asset-purchase agreement, under which the American company would buy Fermenta factories, research facilities, inventory and other assets but would leave the legal entity in the hands of its current shareholders.

Fermenta's board approved TRI's bid in September. Shareholders were to have voted formally on it at a meeting this month.

12 Billion Francs in Renault Debt to Be Forgiven

By Jacques Néher
Special to the Herald Tribune

PARIS — The French government will forgive 12 billion francs (almost \$2 billion) in debt owed to it by Renault, the state-owned automaker, the minister of industry, Alain Madelin, said Thursday.

At the end of last year, Régie Nationale des Usines Renault, as the company is formally known, had a total debt of 54.7 billion francs. The write-off, added to debt service payments this year, will allow Renault to reduce its total debt to 40 billion francs by the end of 1987, said Patrick Bessy, a company spokesman.

The move to cut the company's debt will not be accompanied by a change in its legal status, Mr. Madelin said.

Next week, Prime Minister Jacques Chirac's cabinet will consider draft legislation to modify Renault's status from that of *régie*, or state agency, to *société anonyme*, or corporation. The change, which would still leave Renault a state-owned enterprise, would take effect Jan. 1, Renault was nationalized at the end of World War II.

The plan has not been approved by the executive Commission of the European Community, which has recently taken a hard line against state aid to national companies.

By clearing the debt, which had accumulated from the early 1970s, the government was seen as backing down from an initial plan to grant Renault between 9 billion and 12 billion francs in new capital.

That plan had faced criticism from Renault's chief domestic competitor, Peugeot SA. Jacques Calvet, chairman of Peugeot, had reportedly threatened to resign if a large amount of new capital were granted.

He feared that the money would not necessarily be used to pay off Renault's debt, but to support product development and marketing efforts against Peugeot.

Mr. Calvet was in Tokyo and unavailable for comment. However, another high-level Peugeot executive said that Mr. Calvet and Mr. Madelin "had apparently come to a meeting of the minds." They are scheduled to meet on Monday.

"It was a Solomon-type solution," the executive said. "There

was no good way to give Renault money, but this was the least bad."

Mr. Bessy said, "We'll still have a huge debt, and that remains a big problem," noting that 40 billion francs is twice the debt of Peugeot.

But by reducing its debt, Renault will be able to eliminate a negative net worth situation and be free to raise money on the capital markets, he said. At the end of 1986, the company's obligations surpassed its value by 16.4 billion francs.

Also helping to balance the books will be this year's earnings, which Mr. Bessy said could be "up to 3 billion francs."

Raymond Lévy, Renault's chairman, earlier had predicted earnings of around 1 billion francs.

The company also will take advantage of some accounting measures that will add 1.4 billion francs to the assets column.

Meanwhile, the proposal to erase the loans from the government's books was received only this week by the EC Commission.

The commission generally has disapproved of state aid to national companies when it was likely to hurt competitors within the EC.

A spokeswoman for the commission said the proposal would be considered.

The commission is already investigating grants of more than 5.2 billion francs for Renault made by the government in 1984 and 1985. In its effort to win approval for the debt forgiveness, the government is promising that it will never again provide aid to the company.

Celebrating 25 Years in Channel Islands

THE first foreign bank to settle in Jersey celebrated its 25th anniversary this year by introducing a unique currency-based deposit account. Further cause for celebration was provided by last year's performance which saw pretax profits soar 31 percent and total assets surge by 25.5 percent to \$627 million (£380 million). Fees and commissions from foreign exchange dealings increased 49.8 percent and foreign exchange transactions now exceed US\$100 million a day.

Royal Trust was established in Jersey in 1962 as a wholly owned subsidiary of Royal Trust, Canada. A comprehensive range of private banking services is provided through two separate Jersey based companies: Royal Trust Bank (Jersey) Ltd and The Royal Trust Company of Canada (C.L.) Ltd.

The Managed Currency Deposit Account relies on the foreign exchange expertise of the Jersey team. According to Ivor Mills, Managing Director of Royal Trust, Jersey, the account is the first to allow the individual investor to benefit from international currency movements while enjoying the return and access of a deposit account.

"The speed and volatility of exchange rates present both an opportunity and a threat,"

he said. "There's an opportunity for excellent capital gains, but without professional advice and proper management, there's great risk. We have designed this account to maximize return and minimize risk, in a cost-effective way."

The Managed Currency Deposit Account is designed for investors who regard either U.S. or Canadian dollars or Sterling as their main currency. The minimum requirement is US\$25,000 (Canadian \$25,000 or £20,000).

The growth potential of the account, according to Mr. Mills, comes from a combination of overnight money market interest rates and net foreign exchange trading profits. To maximize return, funds in the account are traded on a minute-to-minute, hour-to-hour or day-to-day basis in the six major currencies.

While Mr. Mills acknowledges that no guarantee of profit can be made, he stresses the benefits of a currency strategy. "We would anticipate that the skill of our international money desk, which deals with the bank's own money, will provide a return well in excess of the interest rate which could be obtained from a single currency deposit account."

The account is cost-effective: no front-end fees, registration fees, brokerage fees or



Ivor E.R. Mills, Managing Director of Royal Trust Bank (Jersey) Ltd.

custodial fees are charged. Instead, there is a single annual charge of 0.75 percent. Monthly statements itemize all foreign exchange transactions and a monthly summary reports account balance and accrued interest.

Among other private banking services there is offshore mortgage finance aimed at foreigners residing in England and a comprehensive range of foreign exchange services for individuals and companies.

Investors from all over the world have long appreciated the advantages of Jersey, 14 miles off the coast of France. The island has kept the rate of personal and corporate tax steady at 20 percent since 1940 and has no capital gains tax, capital transfer tax, value added

tax or inheritance tax. However, so many financial institutions have set up in Jersey that the financial scene is now extremely competitive.

Organizations like Royal Trust are developing all aspects of their operations to sustain their momentum. For example, The Royal Trust Company of Canada (C.L.), specializes in the creation and administration of discretionary trusts designed to protect the assets and mitigate the tax liabilities of high net-worth individuals. Clients residing in foreign countries may wish to use discretionary trusts to protect themselves against exchange controls or possible confiscatory legislation.

Most recently, Royal Trust introduced a new concept in

international asset protection. According to Andrew Turner, Associate Director, International Trust Services, Royal Trust (Atlantic) Ltd is the Lamborghini of the trust business. "It is a specialist trust vehicle created in a Canadian jurisdiction but with no exposure to Canadian taxation, that provides for the maximum protection of wealth through a highly flexible trustee structure. While administered in Jersey with assets held by Dutch nominees, Atlantic operates through Royal Trust branches around the world."

Mr. Turner notes one of the advantages for discerning trust clients in Jersey. "The idea of trusts as developed in Jersey is very different from more traditional financial centers," he says. "Under our law, the client continues to influence the trustees in any actions they may take. While he is legally dissociated from his money, he effectively retains control over the administration of his assets."

To stay in the lead, Royal Trust (Jersey) continues to invest in the future, ensuring that the company's valuable human resources receive technical and management training. For clients, such investment translates into the company's most invaluable asset: superior service.

U.K. Bank Expands Services

ROYAL Trust Bank has developed an unusually comprehensive international securities custody and reporting service. It has also expanded its services to corporate and private clients and established three regional offices outside London.

Ken Dean, Senior Manager, responsible for Global Custody, says the bank provides a complete stock and share stewardship service. Clients of the service, which has proved particularly attractive, to

North American funds seeking UK and international exposure, include pension funds, insurance companies and mutual funds. The service includes full multi-currency banking services, a computerized account and security record system, as well as delivery, settlement and income collection services.

"This service is fast, flexible and efficient, and it covers all aspects of global securities dealing," Dr. Dean said. "Its multi-currency banking facilities

simplify international settlement and ensure that cash balances remain productive. This is a very cost-effective method of administering an international portfolio."

He explained that global custody clients or their investment managers buy and sell as before but, once executed, transaction details are reported to Royal Trust Bank by telex. All foreign exchange conversion, settlement details and delivery are then handled by Royal Trust Bank.

"Each portfolio is assigned an administrator and clients receive detailed stewardship reports on a monthly or quarterly basis," Dr. Dean said.

Managing Director John Lovesey believes the bank's strengths are its wide range of financial services and the breadth and depth of its banking relationships. Corporate services include commercial lending, foreign exchange, property finance and corporate trust services. Private client services include private bank-

ing, mortgage finance, tax planning and other personal financial services.

"We are well established in the market," Mr. Lovesey concluded, "and we plan to build on our long-standing relationships. We are currently working closely with some very dynamic companies."

To facilitate the development of local contacts, regional offices have been opened in Manchester, Leeds and Ipswich, and another is planned for Bristol.

Isle of Man Features Hi-Yield Account

THE first North American financial institution to recognize the potential of the Isle of Man as an offshore base, the Royal Trust Bank has made great strides since its office opened there in 1976. Having launched a series of innovative offshore financial products, the bank now finds itself in an ideal position to take advantage of the increasing flow of international funds into the center.

According to Managing Director Bill Cowie, the Roy-

al Trust Hi-Yield Offshore Account, introduced last year, took off immediately, due to its multi-currency checkbook facility and instant access features. "It is a current account that pays a high level of interest. With multi-currency withdrawal facilities it also provides instant access to funds on deposit," he said.

Expatriate subscribers can also use its facilities to pay bills incurred through a special expatriate mortgage scheme operated in conjunction with Clerical Medical and

General Life Assurance, a leading British insurance group.

Another Royal Trust innovation, the package is unlike any other mortgage scheme. According to Mr. Cowie: "It has been specifically designed to meet the needs of expatriates residing outside the country who wish to buy property in the United Kingdom."

The terms of the mortgage scheme are flexible and highly competitive. Since repayments are made offshore during the

lifetime of the loan, the scheme offers expatriates a considerable tax advantage.

Royal Trust plans to take advantage of the hospitable financial climate by expanding its operations on the Isle of Man, whose 221 square miles are host to 7,000 companies and financial institutions.

As Mr. Cowie says: "This island is very close to Britain, politically stable and offers all the advantages provided by much more exotic offshore centers."

Broadening Horizons on the Pacific Rim



Laura Hwang, Managing Director of Royal Trust Merchant Bank Ltd.

UNDER the leadership of Laura Hwang, Managing Director, Royal Trust Merchant Bank specializes in international banking and project finance throughout the Asia Pacific region.

"As Singapore's first merchant bank, we are very firmly rooted in the business community here," explains Mrs. Hwang. "Now that the rest of the world has discovered the dynamic economies of this region, we are in an excellent position to build investment management services on a regional and international scale."

Formerly known as Arbutnot Latham Asia Ltd, the company became a member of the Royal Trust Group in October 1986. It offers a full range of portfolio management services, syndicated lending and corporate finance. Its most successful unit trusts are the Royal Trust Singapore Growth Fund and Royal Trust Asia Pacific Growth Fund.

It provides advice and finance for turnkey projects, short and medium term loans, revolving credit and trade financing. Such loans are provided through the bank's Asian Currency Unit which also accepts deposits in all major currencies.

These activities are complemented by advisory services in areas such as corporate planning, capital structuring and restructuring, underwriting and private placements, mergers and acquisitions.

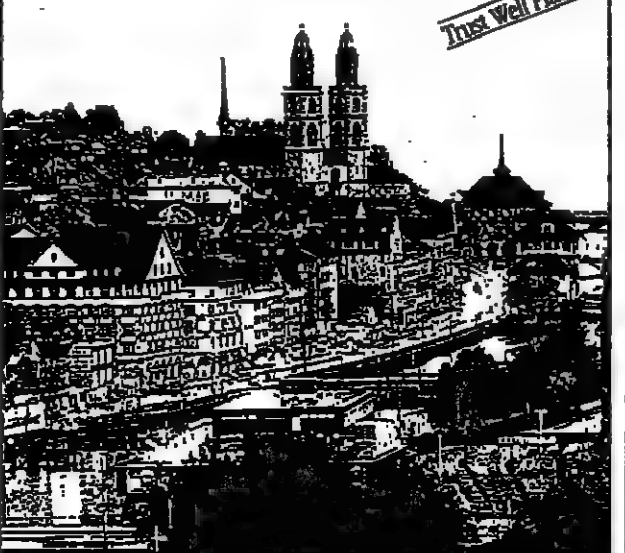
"Royal Trust Merchant Bank intends its global investment management services to be the thrust for its growth and expansion into the 1990s," says Mrs. Hwang. Singapore's full range of financial services will certainly contribute to the success of these plans.

Royal Trust Bank in Zurich

Private Banking for the discerning International Investor
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Trust Services
Loans



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Phone: 01-250 9111



A Unique Deposit Account.

NEW!

MANAGED CURRENCY DEPOSIT ACCOUNT			
ACCOUNT NAME	CURRENCY	DEPOSIT	ACCOUNT AS AT
JOHN SMITH	US DOLLARS	100,000	20/04/87
MANAGER OF MANAGED CURRENCY DEPOSIT ACCOUNT	US DOLLARS	100,000	20/04/87
ACCOUNT BALANCE			
CURRENCY	ACCOUNT BALANCE	ACCUMULATED INTEREST	DISBURSEMENT
US DOLLARS	100,000.00	12.72	0.00
STERLING	0.00	48.50	78.10
US DOLLARS	200,000.70	122.74	1,000.00
CANADIAN DOLLARS	40,178.90	941.98	1,375.00
SWISS FRANCS	0.00	19.24	1,168.00
JAPANESE YEN	0.00	238.00	118.48
TOTAL			20,018.70

That also offers potential Capital Gain!

Your savings in a conventional bank deposit account are safe, reliable and essential - but returns are often modest.

Investment alternatives like unit trusts or share portfolios usually attract heavy administration charges, eating up much of your potential profit.

Now Royal Trust Bank in Jersey offers the private investor a unique and more rewarding choice - the Royal Trust Managed Currency Deposit Account.

Here's how it works:

- To open an account you need to deposit a minimum of £20,000 or US and Canadian \$25,000.
- You then choose your base currency - Sterling, U.S. or Canadian Dollars.
- Royal Trust manages your money, on a discretionary basis, by switching into currencies most likely to appreciate in terms of your chosen base currency.
- Royal Trust will switch minute by minute, hour by hour, day by day between Sterling, U.S. Dollar, Canadian Dollar, Swiss Francs,

Japanese Yen or German Deutschmarks to maximise your net capital gains.

- You will earn interest every day on your entire deposit without deduction of Jersey tax.
- The only charge we make is 0.0625% monthly on your account balance.

Remember, capital gains cannot be guaranteed, but your money will be managed by Royal Trust Bank's own International Money Desk which regularly achieves overall returns well ahead of normal interest rates.

For further information about opening an account call Trevor Wynn on Jersey (0534) 27441 or complete the coupon below.



Royal Trust Bank (Jersey) Limited is a wholly owned subsidiary of Royal Trust, one of Canada's largest financial institutions with an international AA credit rating comparable with the major Canadian chartered banks. Royal Trust has offices in Canada, Grand Cayman, Hong Kong, Isle of Man, Japan, Jersey, Netherlands, Singapore, Switzerland and United Kingdom.

Trevor Wynn, Royal Trust Bank (Jersey) Limited, PO Box 194, Royal Trust House, Colombarie, St. Helier, Jersey, Channel Islands
Telephone: (0534) 27441 Telex: 4192351 RT JSY G. Fax: (0534) 32513
Please send me more details on the Royal Trust Managed Currency Deposit Account.

Name _____
Address _____

IHT 23-10

NYSE Most Actives					
Vol.	High	Low	Last	Chg.	
IBM	298 1/2	297 1/2	298 1/2	+1 1/2	
AT&T	292 1/2	291 1/2	292 1/2	+1 1/2	
GE	287 1/2	286 1/2	287 1/2	+1 1/2	
Amex	282 1/2	281 1/2	282 1/2	+1 1/2	
Amgen	277 1/2	276 1/2	277 1/2	+1 1/2	
Amgen	272 1/2	271 1/2	272 1/2	+1 1/2	
Amgen	267 1/2	266 1/2	267 1/2	+1 1/2	
Amgen	262 1/2	261 1/2	262 1/2	+1 1/2	
Amgen	257 1/2	256 1/2	257 1/2	+1 1/2	
Amgen	252 1/2	251 1/2	252 1/2	+1 1/2	

Dow Jones Bond Averages		
Bonds	Close	Chg.
Government	101.75	+0.05
Corporate	101.75	+0.05
Municipal	101.75	+0.05

Market Sales		
NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume
NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume
NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume
NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume
NYSE 4 a.m. volume	NYSE 4 a.m. volume	NYSE 4 a.m. volume

NYSE Diary		
Advances	Declines	Unchanged
Advances	Declines	Unchanged
Advances	Declines	Unchanged
Advances	Declines	Unchanged
Advances	Declines	Unchanged

NYSE Index				
Composite	High	Low	Close	Chg.
Composite	High	Low	Close	Chg.
Composite	High	Low	Close	Chg.
Composite	High	Low	Close	Chg.
Composite	High	Low	Close	Chg.

Odd-Lot Trading in N.Y.				
Oct. 21	Oct. 22	Oct. 23	Oct. 24	Oct. 25
Oct. 21	Oct. 22	Oct. 23	Oct. 24	Oct. 25
Oct. 21	Oct. 22	Oct. 23	Oct. 24	Oct. 25
Oct. 21	Oct. 22	Oct. 23	Oct. 24	Oct. 25
Oct. 21	Oct. 22	Oct. 23	Oct. 24	Oct. 25

Thursday's NYSE Closing
Via The Associated Press

Dow Jones Averages				
Open	High	Low	Last	Chg.
Open	High	Low	Last	Chg.
Open	High	Low	Last	Chg.
Open	High	Low	Last	Chg.
Open	High	Low	Last	Chg.

AMEX Diary		
Advances	Declines	Unchanged
Advances	Declines	Unchanged
Advances	Declines	Unchanged
Advances	Declines	Unchanged
Advances	Declines	Unchanged

Standard & Poor's Index				
High	Low	Close	Chg.	
High	Low	Close	Chg.	
High	Low	Close	Chg.	
High	Low	Close	Chg.	
High	Low	Close	Chg.	

NASDAQ Index				
Composite	High	Low	Close	Chg.
Composite	High	Low	Close	Chg.
Composite	High	Low	Close	Chg.
Composite	High	Low	Close	Chg.
Composite	High	Low	Close	Chg.

NASDAQ Diary				
Advances	Declines	Unchanged	Total Issues	
Advances	Declines	Unchanged	Total Issues	
Advances	Declines	Unchanged	Total Issues	
Advances	Declines	Unchanged	Total Issues	
Advances	Declines	Unchanged	Total Issues	

AMEX Most Actives					
Vol.	High	Low	Last	Chg.	
Vol.	High	Low	Last	Chg.	
Vol.	High	Low	Last	Chg.	
Vol.	High	Low	Last	Chg.	
Vol.	High	Low	Last	Chg.	

AMEX Stock Index				
High	Low	Close	Chg.	
High	Low	Close	Chg.	
High	Low	Close	Chg.	
High	Low	Close	Chg.	
High	Low	Close	Chg.	

MARKETS: Dow Drops as 2-Day Rally Falters

(Continued from Page 1)

percentage point, to 9 percent. The move largely followed earlier declines in money market interest rates that had already boosted stock prices.

But the fact that the U.S. central bank was again adding liquidity to the money markets on Thursday did help the Dow recover from its lows, dealers said.

The number of losing stocks led gaining shares by about 5 to 1, and volume declined to about 392 million shares from 449.35 million on Wednesday.

In the first hour of trading, the Dow was down as much as 149 points.

It had climbed a total of 289.11 points in the previous two sessions — 156.84 points on Wednesday alone, setting a one-day record.

Among leading blue-chip issues, American Telephone & Telegraph Co. fell 1/4 to 28 1/4. International Business Machines Corp. was off 2 1/4 to 120 and General Electric Co. lost 3/4 to 47 1/4. General Motors dropped 4 1/4 to 58 and Merck & Co., the pharmaceutical concern, shed 5 1/4 to 163 1/4.

Trading quieted in late afternoon, as market participants waited for President Ronald Reagan's press conference. After the market had closed, the House said Mr. Reagan would begin his news conference with a statement on the economy and financial markets.

"People are beginning to climb out of this, but it will be a while before they climb back in," said Eugene Peroni Jr., analyst at Janney Montgomery Scott in Philadelphia.

Mr. Peroni said the market will move between an upper limit of 2,050 on the Dow and a

lower boundary in the mid-1,800s, with swings shrinking in the next four or five sessions.

He said that after the trading range narrows, the market will go into another decline.

He added that firms are officially interested in only two blue-chip stocks, and even these they are not holding longer than a session.

"It's too early to hold much confidence overnight," Mr. Peroni said.

Mr. Wachtel of Prudential-Bache said that after a bargain-hunting rally following Monday's 508-point plunge, the market is "going through a long process of bottoming. In the process of that, there will be some more difficult periods."

An imbalance of orders — primarily sell orders overwhelming buy orders — delayed the opening in the 30 stocks comprising the Dow industrial average. But by late morning, all these stocks were trading.

Some traders said moves by U.S. government leaders to discuss cuts in the budget deficit could support stock prices, as interest rates might fall if the government borrowed less.

Reacting to calls from Capitol Hill for his personal involvement in deficit-cutting negotiations, President Reagan agreed Thursday to meet congressional leaders "as soon as possible" with every issue, except Social Security, up for bargaining.

He pointedly avoided repeating his firm oaths against accepting tax increases as an option, saying only that he is looking for a proposal "that keeps spending and taxes as low as possible."

(UPI, AP, Reuters)

12 Month	High	Low	Stock	Div. Yld. PE	52 Wk. High	52 Wk. Low	Close	Chg.
12 Month	High	Low	Stock	Div. Yld. PE	52 Wk. High	52 Wk. Low	Close	Chg.
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MARKETS FACE NEW TURBULENCE: Profit-Taking and Skittishness Dent the Attempted Recovery

Shares Fall in Europe After Wednesday Rally

Compiled by Our Staff From Dispatches
LONDON — The recovery in European share prices evaporated Thursday, as many investors unloaded stocks to take advantage of higher prices.

News of a missile attack on Kuwait's main oil installation also eased share prices in Europe, but by heightening global economic uncertainty, Kuwaiti shares in Tokyo ended higher, dealers said.

Although shares in Tokyo ended higher, dealers said the improvement disappointed many European investors. The 225-share Nikkei index was up only 1.9 percent, after a record 9.3 percent on Wednesday.

Price swings remained violent and unpredictable. In Britain, the 100 major shares finished 110.6 points lower on Wednesday. Renewed selling of U.S. shares there before Wall Street opened aggravated the declines across the Continent.

Later, New York trading opened with a massive sell-off, which only moderated the losses in the last few hours of European dealings. The Dow Jones industrial average lost 40 points within the first hour of trading, then rebounded. But by 11 A.M. in New York, when most European exchanges were closed, the Dow was still down 43 points.

Wall Street's convulsions on Thursday incited new fears that its recovery in the previous two sessions had been illusory. The Dow's 102.2-point rally on Tuesday supported a worldwide rally in stock prices on Wednesday, when the Dow soared an additional 186.84 points. The Dow plunged a catastrophic 308 points on Monday.

But that rally ended Thursday in Europe. "Investors are again hesitant and cash sales are surfacing," a senior Asian broker said. "Many believe that new jobs are possible on world markets as the problems which whetted off Monday's collapse are still hanging" over the global economy.

Analysts have blamed the collapse in large part on a lack of confidence in the ability of major industrial countries to deal with their huge trade imbalances and the resultant conflicts over currency values and interest rates.

London — On the London Stock Exchange, the Financial Times-Stock Exchange 100-share index skidded

110.6 points, or 5.7 percent, to 1,833.2 at the close. A late rally that reflected price moves on Wall Street helped cut the loss from 194.7 points about an hour before the close.

On Wednesday, the FT-SE index gained a record 142.2 points, or 7.9 percent.

At its late-afternoon low, the index was down about 10 percent, its lowest level in about nine months.

"A lot of investors are sick of the wild movements on Wall Street and believe that British stocks at this level are a good buy," one analyst said. "But they are still very nervous."

One factor heightening concern was the release Friday of Britain's trade figures for September. Britain's current account, the nation's widest measure of trade, registered a \$929 million (\$1.53 billion) deficit in August, and many analysts are expecting another bad number.

Dealers said that the market was also unmoved by reports that an influential U.S. stock analyst, Robert R. Prechter, had predicted that Wall Street might find a new low shortly. Mr. Prechter follows the theory of the late Ralph N. Elliott, that markets follow predictable waves rooted in human nature and alternate between pessimism and optimism.

Volume continued to be huge, with more than 819 million shares changing hands up to 3 P.M. The actual number of transactions was more than 78,000, compared with an average 35,000 a day last week and Wednesday's record of 103,680.

Paris — French share prices fell in late trading in response to a lower Wall Street, wiping out early gains, dealers said.

The main Bourse indicator slipped 2.95 percent in relatively light trading, after having been 0.97 percent higher at midday.

The index gained 3.5 percent on Wednesday. That performance, combined with Tuesday's small rally, had recouped part of a nearly 10 percent drop on Monday.

"I think 'confused' is the word for it," one trader said. "Nobody seems to know what they're doing anymore."

Frankfurt — West German share prices ended an active session with big losses

that approached the worst levels of the day, as foreigners and domestic institutional investors unloaded large holdings, dealers said.

Domestic small-scale investors continued to buy but were unable to turn the tide, they added.

The Commerzbank index closed 72.40 points down at 1,707.90, a loss of 4.07 percent. It gained 6.64 percent on Wednesday.

Milan — Italian share prices dropped in early trading on the Milan Stock Exchange, and continued to fall throughout the day, largely because of the declines in other major centers, dealers said.

Retail, insurance and financial stocks all performed poorly. The main MIB index was down about 0.6 percent two hours into the session, and ended the day with a 1.30 percent decline. The index had gained 3.93 percent on Wednesday after Tuesday's drop of 4.45 percent.

Zurich — Swiss shares closed sharply lower on profit-taking and expectations of declines on Wall Street, dealers said.

One trader at a major Swiss bank said that many of the sellers had bought shares at Wednesday's low.

The SBC index fell 35.20 points, or 3.54 percent, to 600, effectively erasing Wednesday's gain of 3.7 percent. (AP, Reuters, AFP)



RALLY STALLS IN PARIS — Brokers at the Paris stock exchange shout instructions. Share prices dropped in late trading on Thursday, and the Bourse indicator fell 2.95 percent in relatively light trading, after having been up 0.97 percent at midday.

Asian Marts Off In Profit-Taking

Compiled by Our Staff From Dispatches

HONG KONG — A partial recovery on Asian financial markets sputtered on Thursday as stock prices on exchanges from Tokyo to Singapore rose sharply and then, just as quickly, gave up most of their gains.

In Japan and Australia, the largest regional markets, early buying strength gave out in the afternoon and prices turned lower at the close. A similar retreat took place in New Zealand.

On the Tokyo Stock Exchange, the Nikkei stock average of 225 selected shares fell back in shaky afternoon trading to 24,404.45, up 457.05 yen for the day. The index had been ahead by as much as 1,033 yen in the morning. Market analysts attributed the drop to profit-taking.

Earlier in the day, when Tokyo prices were registering strong gains, brokers had said investors were encouraged by Wall Street's seeming strength, lower commercial interest rates in the United States and the Federal Reserve Board's action to add liquidity to the market.

In Sydney, nervous selling slashed early record gains. The All-Ordinaries index dropped back to a gain of 59.4 points, or 3.7 percent, after soaring 150 points in the first 45 minutes of trading. At the close, the index stood at 1,627.6.

In Wellington, New Zealand's stock market rally petered out as fresh nervousness hit investors. The Barclays index of the top 40 stocks ended the day down 5 points at 3,034 after being 16 points ahead

Hong Kong Seeks Help on Troubled Stock Futures

Agence France Presse

HONG KONG — The Hong Kong government said Thursday that it had asked Hambros Bank Ltd. of Britain for advice on problems in the stock-index futures market, where trading was halted on Tuesday.

In trading circles, there were rumors that the Hong Kong Futures Exchange had asked the government for 2 billion Hong Kong dollars (\$250 million) to rescue the market.

Monday's slump on the local market prompted dealers in Hang Seng Index futures to issue margin calls. Futures brokers fear that stockbrokers and speculators may not be able to pay up.

A speculator who bought one contract last Friday with a 15,000 dollar deposit would have faced a 21,000 dollar loss by the close of trading Monday. At that time, more than 36,500 Hang Seng Index futures contracts, with an implied value of 6.14 billion dollars, were outstanding.

half-way through the trading day. In Malaysia, a wave of selling drove share prices down Thursday towards their previous closing levels on the Kuala Lumpur Stock Exchange.

The afternoon selling halted the morning's gains and prices settled only 10 percent above Tuesday's finish. Most stocks, which shed an average of 25 to 30 percent of their value Tuesday, had recouped up to a third of their losses in the morning session. The exchange was closed Wednesday for a public holiday.

Taiwan share prices closed sharply lower but in Manila, prices finished higher. In Singapore, stock prices rallied, although renewed selling interest surfaced in the afternoon session.

The Straits Times industrial index regained 124.14 points to end at 1,085.64, its biggest one-day advance. On Tuesday, the index plunged a record 261 points. (AFP, Reuters)

The Dow Average: Not the Only Indicator, Nor Even the Best

By Cindy Skrzycki and Jerry Knight
Washington Post Service

WASHINGTON — The Dow Jones industrial average is proving once again that it is not always the most reliable indicator of what the U.S. stock market is doing.

The widely watched average of 30 stock prices has become synonymous with the stock market's performance. But in the past few days it repeatedly has climbed more steeply and plunged more deeply than other stock market indicators.

While the Dow dropped 22.6 percent on Monday, for instance, the Wilshire 3000-stock index favored by many professional investors was down a little less than 18 percent. The decline in the American Stock Exchange and the Nasdaq National Market indexes came to only about 12 percent.

The Dow rebounded more quickly, jumping almost 6 percent on Tuesday, while the Wilshire bounced back about 2.5 percent and the Amex and Nasdaq charts fell another 9 percent or so.

On Wednesday, the Dow Jones average roared back by another 10 percent, outpacing broader indicators that showed daily gains in the 8 to 9 percent range.

The disparate performances in stock market barometers reflect not only different methods of measuring the market, but also measures of different markets.

Many market experts take the Dow for what it is: a benchmark of what is going on in the narrow strata of the blue-chip companies — even though it is thought of as a universal indicator.

"The Dow is a rotten indicator," said Marshall E. Blume, professor of finance at the

University of Pennsylvania's Wharton School. "It's one of the worst indicators around."

Critics argue that Dow is tilted heavily toward manufacturing and heavy industrial companies whose importance to the American economy has faded in recent years.

Members of the industrial average include such heavyweight companies as Bethlehem Steel Corp., General Electric Co., General Motors Corp. and Texaco Inc. McDonald's Corp. is the only entry from the burgeoning services sector, and the lone financial services representative is Primerica Corp., which has been on the Dow since it was in a different business, as American Can Corp.

Besides the narrow composition of the Dow, there are complaints about how it is weighted and calculated. Companies with high stock prices are given more presence in the average while elements such as market capitalization are not taken into account.

In contrast to the 30 stocks in the Dow, the Wilshire Index includes 5,000 stocks. While the Dow was up 10 percent Wednesday, the Wilshire gained 7.7 percent.

The Wilshire Index includes all the stocks traded on the New York, American and other exchanges. "It includes everything they can get their hands on," Mr. Blume said.

It has not been unusual in the past for the Dow to diverge from the broader market indices that track the New York Stock Exchange and the American Stock Exchange. Its performance Tuesday was a good example of this behavior: The Dow closed up while the Amex and Nasdaq indexes closed down.

One reason the charts moved in opposite directions, according to Alden C. Olson, a professor of finance at Michigan State University, was the re-entry of institutional buyers and individuals into the market to buy Dow-listed stocks after Monday's scare.

Bonds Surge on Continuing Flight From Stocks

NEW YORK — Prices of U.S. government securities rose as much as 3 points on Thursday in hectic trading, as investors continued to look to the safety offered by government-backed paper after renewed declines in U.S. share prices, dealers said.

"It's been wild," said Ken Dagel of Kleinwort Benson Government Securities Inc. "It's been the most active week I've seen in my life."

Dealers said prices were further bolstered by news that Citibank and other major U.S. commercial banks had cut their prime lending rates a quarter point, to 9 percent.

Also, dealers cited cautious optimism that Washington policy makers will not trim the U.S. budget deficit. Analysts have said that the government borrowing to finance the budget deficit has put upward pressure on interest rates, thus automatically depressing bond prices.

The Dow lost 140 points in the first hour of trading before rebounding. It closed later with a loss of 77.42 points.

The government's benchmark 30-year bond closed at 97 17/32 after finishing at 94 10/32 on Wednesday. The rise of about 34 points, or \$32.50 for each \$1,000 face amount, brought the yield tumbling to 9.11 percent from 9.45 percent on Wednesday.

The decline in stock prices followed reports that one influential investment stock strategist, Robert R. Prechter, had forecast further sharp declines in share prices and news that a Kuwaiti offshore oil terminal had been hit by a missile.

"The flight to quality is one of the main reasons why our market is rallying," said one dealer, explaining the rise in government bills, notes and bonds.

Dealers predicted that purchases of government securities would continue, particularly at the shorter end of the market, with the biggest beneficiary likely to be the bills, which mature within one year.

The credit markets rose sharply on reports that the Dow would fall to 1,300. It had closed at 2,027.85 on Wednesday. Traders familiar

with the forecast said Mr. Prechter predicted that stock prices would initially fall through the lows reached on Monday — when the index fell 22.6 percent to 1,738.74 — and then stage a comeback at 1,300.

Through a spokesman, Mr. Prechter refused to comment on the reports.

The U.S. central bank, meanwhile, added reserves to the banking system via four-day customer repurchase agreements. The Federal Reserve Board entered the money market an hour earlier than usual, in an apparent effort to calm the financial markets.

Nonetheless, federal funds, the overnight reserves that commercial banks trade among themselves, closed higher at 7.25 percent, up from 6.875 percent in early trading and Wednesday's average of 6.47 percent.

Three- and six-month bill yields rose above their lows, finishing at 5.32 percent and 6.04 percent, after 5.62 percent and 6.24 percent at Wednesday's finish.

Economists continued to debate whether the slump in stock prices would reduce consumer spending and slow the economy, thereby bolstering bond prices.

Elias Bikhazi, an economist at Security Pacific National Bank, said the economic fundamentals are largely unchanged following the dramatic swings in both stock and bond prices.

Income, not investment, is the most important factor in consumption, Mr. Bikhazi said. "Unemployment at 5.9 percent and steady employment gains should sustain consumption," he said. "We acknowledge that there will be an impact on consumption, but we're not prepared to say it's a recession," he said.

But market perceptions of a recession and a continued flight to quality should support long-term bond yields at around 9.50 percent until year-end, Mr. Bikhazi said, although he does not see much improvement from the current lower yield levels.

POLICY: A Turning Point

(Continued from Page 1)

countries needed an expansion of the money supply in order for their economies to grow.

"As in 1981," he continued, "the fed thought inflation was the problem and has raised interest rates in recent months. Investors always sell stocks when they see a Federal Reserve policy of higher interest rates."

The stock market's tumble came dramatically as James C. Miller, director of the Office of Management and Budget, was saying that "we have had tremendous success" in reducing the federal budget deficit.

The deficit, which soared to a record \$220.7 billion in the fiscal year 1986, narrowed to \$155 billion or less in fiscal 1987, which ended three weeks ago, he said. The deficit figure, which may well be as low as \$150 billion, will be made public next week.

A major reason for the decline in the budget deficit was an unexpected surge in revenues. This unexpected occurred partly because many people sold stocks and other assets late last year before the rate of long-term capital gains was raised by the new tax law.

But economists say stock market investors are still concerned about the deficit for the current fiscal year, which, according to the Congressional Budget Office, would exceed \$180 billion if current spending and tax policies continued.

Bonn's Theory: Solutions Lie in U.S.

West Germans Say There Is Little They Can Do

By Serge Schmemmann
New York Times Service

BONN — Although the West German government and central bank moved quickly this week to placate Washington publicly, few analysts or officials thought there was anything West Germany would or could do to alleviate the squeeze on the United States.

As the markets continued to gyrate, analysts said they suspected

the maelstrom of recent days would only confirm the West Germans in their antipathy to risk and instability, rather than make them receptive to Treasury Secretary James A. Baker 3d's demands that they stoke up their economy.

Many experts acknowledged that the West German economy did need some loosening. But none saw any quick or painless fix for the United States' huge debt and poor balance of payments, and few thought Bonn would ever agree to stimulate its economy to a level that would make any difference. The answer to America's problems, most seemed to think, was in America.

"The United States has basic problems, and if I were a politician I would also try to put the blame somewhere else," said Meinhard Miegel, director of the Institute for Economic and Social Policy in Bonn. "They blamed Japan, then Europe in general, then West Germany in particular, and I don't

know where next. But the problem will not change."

That view was echoed in many other comments and editorials after Mr. Baker's warning last Thursday that unless West Germany stopped raising interest rates and took measures to stimulate its economy, the United States might let the dollar slide lower, hurting German exports.

Though it was unclear what role the comments had in the stock market chaos that followed, the fears they raised of U.S.-West German arguing and dollar devaluation were seen as one of the catalysts.

The basic West German criticism is of Mr. Baker's premise that the United States trading partners, and first of all West Germany and Japan, have an obligation to stimulate their economies so that they could start absorbing more American goods and so ease the trade imbalance.

The daily Frankfurter Allgemeine Zeitung called the premise a "vision" long fostered by Washington and "every time this vision is disturbed from the outside, this is seen as an unfriendly act by Washington."

"But the real question," the paper added, "is whether the vision is realistic."

Beyond the merits of Mr. Baker's thinking, his demands on the Germans to stimulate their economy clashed with a deep-rooted fear of inflation and economic instability, a fear that permeates all West German economic policies.



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Dollar Steady After Early Fluctuation

A European bank dealer said, "I don't think the United States can

The rally on Wall Street and some short-covering enabled the currency to recoup most of the losses sustained after the U.S.

FRAGILE: A

(Continued from Page 1)

Wednesday's fixing, and in Paris at 6.0610 French francs, up from 6.0250. It closed in Zurich at 1.5025 Swiss francs, down from 1.5108.

The average forecast of economists polled by Reuters was that M-1 would fall \$3.4 billion in the latest reporting week.

He said he managed to make through Wednesday in good financial shape, adding that "all the people you see down here today are survivors."

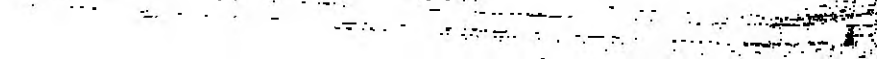
ding. "I knew on Monday it was time to get out," he said. "It's like you're in a \$25 blackjack game in Las Vegas, and all of sudden you



Brokers are discovering that the emotional response to the market tumult is largely generational. "Our young people particularly seem to be mesmerized by what's

Such knee-jerking responses are nothing new. But in times of market turbulence, rumor and innuendo gain more credence. This is especially true when the market will overcome its nervousness is impossible to predict at the stage.

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SPORTS

Billy, Lou and George:
This Could Be StrangeSteinbrenner, His New Manager and GM
aren't Necessarily Made for Each Other

By Murray Chass

New York Times Service

ST. LOUIS — When George Steinbrenner makes changes in the front office, the changes usually have a bizarre name. His latest shuffling or rearranging of personnel, as he likes to refer to dismissals, has the potential to be the most bizarre ever.

Steinbrenner, the Yankees' owner, has replaced Lou Piniella, the Yankees' general manager, with Billy Martin.

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Tom Lawless, light-hitting St. Louis utility man, clouting a decisive three-run homer in the fourth game of the World Series.

For O-Homer, O-RBI Man, a Second of Immortality

By Thomas Boswell

Washington Post Service

ST. LOUIS — One, two, three, four, five, six, seven, eight casual loving little steps is how many Tom Lawless took toward first base before he fired his bat in the air like a whirling dervish and began the cockiest and most improbable Show Me home run trot in World Series history.

Next to Tom Lawless, Bucky Dent was Jimmie Fox and Brian Doyle was Babe Ruth. Line them all up — Sandy Amoros, Al Giarrizzo, Don Larsen, Howard Ehmke and Bernie Carbo — the unknowns who made this classic their moment, their mirror, their whole athletic life in a split second, and Moxie Lawless has them lapped and beaten badly.

All of them did amazing and unexpected deeds at perfect and vital moments. But none of them had done so little as Lawless, who spent every day of this year with the St. Louis Cardinals and batted .060 with no runs batted in. Actually, he wasn't even in a slump. The previous year, he had three RBIs in an entire season of utility chores.

Even more wonderful, Lawless used his split-second of immortality Wednesday night with a presence of mind and an audacity that never had occurred to a baseball player before. How does a 30-year-old veteran — who has hit one home run in his entire major league career of 384 at-bats — have the quick wit to play to the camera like Reggie Jackson and hot dog like Ricky Henderson rolled into one? Come on, folks, how do you discover style on the second home run of your life?

When stars show up their faces, it's bush. If Willie McGee had done what Lawless did — the grandstand walk, the bat flip, the bounding, high-stepping trip around the bases, the high-fives to the entire state of Missouri — the Minnesota Twins would have spent the rest of this Series trying to break his leg with a slide or dent his skull with a fastball.

But when the 24th man has his glory day, when the guy who ought to be scared to death just to step on the field drives a three-run, stake in your heart in the fourth game of a Series that is now tied, you just shake your head and wonder whether destiny hasn't gotten a midtown transfer and jumped on the other guy's team bus.

"Giarrizzo goes back, back, back. One-handed catch at the bullpen. Oh, doctor." That's how Red Barber called the great grab that actually made Joe DiMaggio show his temper for the only time on record — a tiny kick at the dirt near second base in disbelief.

Back, back, back — that's where the Minnesota Twins are now, thanks to Lawless. Back to the wall, even though this Series is tied at two games each. The Twins have seen the true St. Louis Cardinals.

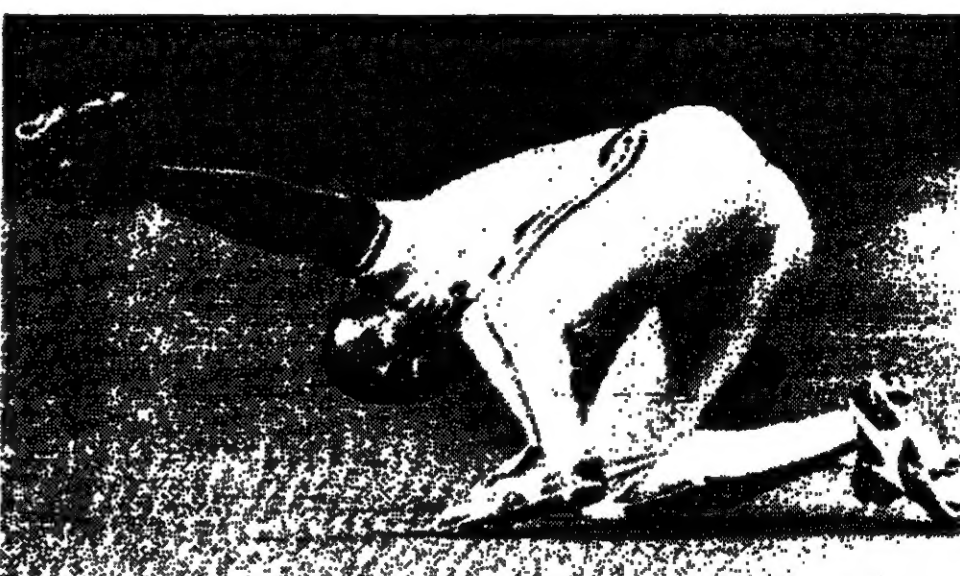
Everything the Cardinals know how to do, they did this raw night. In the fifth, as the Twins tried to storm back against old Bob Forsch, the Cardinals threw the kind of leather at 'em that makes people here by the Mississippi wonder if any team has every pursued baseball's audacity.

With two on and one out, Lawless drove over the third base bag for a spectacular smother of a smash, turning a double into a single. That saved a run because on the next play, Ozzie Smith dived with his face to the turf,

dug in the hole and flipped to second for the force play that Lawless had kept in order. Finally, Vince Coleman made a shoestring catch that a slower man — that's to say, any other player in history except about three — couldn't have reached. Instead of the score being 7-4 with two on and one out, St. Louis led, 7-2, and the timing was over.

The Twins kept bombing Forsch, leading the bases in the seventh. On came Ken Dayley, perhaps the most underrated left-handed reliever in the game, to face Gary Gaetti and Tom Brunansky. Both right-handed 30-homer men. One swing and it would be 7-6. Lawless's homer would shrink and, maybe, the Twins eventually put the Cardinals on ice here in the Busch igloo. Instead, Dayley went after the heart of the Minnesota order like a hungry dog spotting a pound of steak. A strike out. A pop up.

The Twins may not have slept well after the game. However, Dusty Rhodes and Johnny Podres, Rick Dempsey and Bill Mazeroski, can continue their sweet dreams. They have more company. Stylish company. Little guy. Weighs about 160 pounds. Bristly mustache. A law unto himself. But that's what the World Series always has been — a Lawless place with rules and caprices of its own.



Vince Coleman making a diving catch to end the Twins' fifth, stranding two baserunners.

SCOREBOARD

Baseball

World Series

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MINNESOTA

Seoul's Pre-Olympic Air

A casual stroller through the crowded streets would hardly take Seoul to be the site of a continuing people's revolution. Mostly gone,

The local press did find a bright spot: North Korea, with two bronze medals, finished slightly be-

behind the Republic of Korea. The athletes, in the great Korean tradition, vowed to work twice as hard from now on.

Brodsky: A Poet's Language

It seems now that Brodsky will turn only on paper. Physical turn is a hope abandoned. For years he lobbied the Soviet gov-

Brodsky (right) hugs his publisher, Roger Strass, on hearing news of winning the Nobel Prize in Literature.

avoid the gaze of Lenin from every classroom wall. One winter morning when he was 15, he walked out of class and never

etry" were corrupting the young. He was harrassed by the police and twice thrown into a mental hospital. To avoid the police, he

sian language. It lives its own life within me and sometimes just sort of pops up to the surface, yeah?" As he writes his poems, he

Prince Charles and his wife Diana toured a flood-ravaged town in their first public appearance together in more than a month. Be-

to appear on fabric, including renditions of Disney characters in works of art like "Blue Boy" and "Whistler's Mother." Errick, 35.

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

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- Five Soviet men tried to crash
- Anti-Soviet to 240,000 in Poland
- An Indian show takes on slant of social uncertainty

ARTS-LEISURE

- Auction maintained formal stock exchange Meltdown report

Don close: U.S. The dollar